

March 30th, 2010

Greenko

Up scaling smoothly executed, financed for 1GW league

Greenko has emerged as a leading pure play RES-e IPP in India. We believe the combination of 121MW operational assets and focus on late stage pipeline, uniquely positions the group within Indian's power sector.

Very bullish on the power sector, merchant prices unlikely to weaken on the ST. We remain very bullish on the power industry in India, for which we see power deficits to hover around 8%, at least until 2017, given the previous track record of repeatedly delayed installations, combined with strong growth (on strong GDP growth). As such, we have a not conformist view on merchant prices, which we see only mildly coming down to about Rs5/kWh up to 2017 and Rs4.5 post 2017.

De risked business model.

Greenko's management has succeeded in de-risking its business model through i) diversification into multiple RES-e sources. ii) activities in 5 Indian states, which limits exposure to state specific regulation and local weather conditions. iii) Most importantly, the group has already partially presold its 2011 sales through PPA and deals with PTC, ensuring that the premium merchant prices have been locked in. iv) Finally we note that Greenko has secured equity funding for its increased target of 1,000MW by 2015, thanks to its operational cash flows from installed based and the two recent capital transactions.

Conservative PT of £2.5, blue sky at £4.7.

Despite the stellar performance, we believe the valuation upside is still intact. We calculated a PT of £2.5/share, based on 354MW probability adjusted. Under a blue sky scenario with full execution of its current development pipeline (484MW) with fully unlocking of its merchant potential, valuation could jump to £4.7/share. [peer valuation]

| € m (end March) | 2008A | 2009A | 2010F | 2011F | 2012F |
|-----------------|-------|-------|-------|-------|-------|
| Sales | 13.1 | 13.9 | 22.9 | 41.9 | 49.4 |
| EBITDA | 5.1 | 4.9 | 9.0 | 24.8 | 29.0 |
| Net profit | 2.5 | 2.7 | 2.9 | 12.6 | 14.5 |
| Net debt | 15.8 | 39.4 | -45.9 | -62.2 | -36.2 |
| EV/Sales | 8.7 | 7.6 | 3.3 | 4.8 | 4.6 |
| EV/EBITDA | 22.2 | 21.7 | 8.3 | 8.1 | 7.9 |
| P/E | 39.0 | 24.7 | 42.0 | 21.0 | 18.2 |
| Net debt/EBITDA | 3.1 | 8.1 | -5.1 | -2.5 | -1.2 |

Investment recommendation

| | |
|----------------------|----------|
| Fair value base-case | £2.50 |
| Last price | £1.60 |
| Opinion | Positive |

Greenko

| | |
|--------------|--------|
| Bloomberg | GKO LN |
| Market cap | £185m |
| 52-week high | £1.70 |
| 52-week low | £0.40 |
| Free float | 46% |

12-months performance

Greenko compared to Wilderhill New

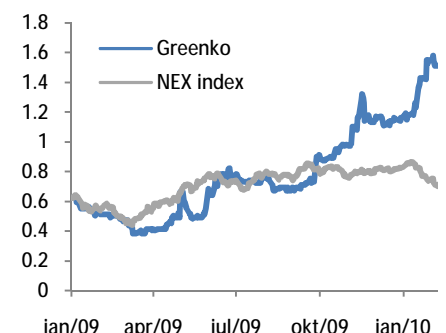


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I INVESTMENT THESIS

UPSCALING SMOOTHLY EXECUTED, FINANCED FOR 1GW LEAGUE

1/ One of leading pure play RES-e players, with operational base >120MW

Since its incorporation in Jan'06, the company has built up its operational base to above 120MW. As such, Greenko has emerged as a leading pure play RES-e IPP in India. We believe the combination of 121MW operational assets and focus on renewable assets, uniquely positions the group within Indian's power sector.

121MW operational, secured total pipeline of 428MW

2. Very bullish on power industry, premium merchant prices unlikely to decline rapidly

We remain very bullish on the power industry in India, for which we see power deficits to hover around 8%, at least until 2017, given the previous track record of repeatedly delayed installations, combined with strong growth (on strong GDP growth). As such, we have a not conformist view on merchant prices, which we see only mildly coming down to about Rs5/kWh up to 2017 and Rs4.5 post 2017. This is in line with comments from other market participants such as Jindal Steel, which sees merchant prices at Rs4.5/kWh post 2017. In addition we note that Greenko's ability to secure 10YR contract with PTC for merchant prices at respectively Rs6/kWh and Rs5/kWh highlight even further upside to our assumptions.

Acquired regulated assets can be leveraged into merchant markets

3. De risked business model

Greenko's managed has succeeded in de-risking its business model through i) diversification into multiple RES-e sources. Started as a biomass consolidator, Greenko made successful inroads into the hydro sector, which already represent more than half of total installed base. Recently, the group indicated it would diversify further into solar and wind. ii) in addition, Greenko is now active in 5 Indian states, which limits exposure to state specific regulation and local weather conditions. iii) Most importantly, the group has already partially presold its 2011 sales through PPA and deals with PTC, ensuring that the premium merchant prices have been locked in. iv) Finally we note that Greenko has secured equity funding for its increased target of 1,000MW by 2015, thanks to its operational cash flows from installed based and the two recent capital transactions.

Secured portfolio of 428MW

4. Valuation upside intact: secured PT of £2.5, blue sky at £4.7

Despite the stellar performance, we believe the valuation upside is still intact. We calculated a PT of £2.5/share, based on 354MW probability adjusted. Under a blue sky scenario with full execution of its current development pipeline (484MW) with fully unlocking of its merchant potential, valuation could jump to £4.7/share. [peer valuation]

For those, who missed the first wave, a second one is likely to follow.

5. Investment case on Greenko through SWOT analysis

Figure 1: Swot

| Strengths | Weaknesses |
|------------------------------------|------------------------------------|
| Strong, experienced management | capital intensive industry |
| 121MW operational | |
| Good mix direct sales and PPA's | |
| total portfolio of 428MW | |
| Opportunities | Threats |
| Further inroads in merchant market | i-rate and currency although minor |
| Access to capacities | |
| Stock is very cheap | |

Source: 7c Consult IR

II COMPANY PROFILE

II.1 A leading RES-e pure play on India

*Focus on clean energy,
particularly hydro and biomass
in India.*

Greenko is one of India's leading Independent Power Producers (IPP), entirely focused on developing clean energy assets in India, supporting India's rapidly increasing energy demand and energy security needs with a vision to play a significant role in the sustainable development of emerging economies. Greenko is a specialist in the operation of CO₂ reducing energy sources, while actively participating in the carbon credit market of CER's.

Greenko has created a de-risked portfolio through broad geographic presence, diversified clean technologies (biomass and hydro and looking into wind and solar) and multiple revenue streams such as long term power purchase agreements, short term merchant sales, power and carbon trading platform. The group has acquired projects at various stages of project lifecycle and has successfully added value to these projects.

Currently Greenko operates 120MW clean energy assets and aims to increase its portfolio of clean energy assets to approximately 1,000 MW generating over 3,5 GWh annually by 2014-2015.

II.2 Strong management

Greenko is guided by an experienced board consisting of:

1. *Anil Chalamalasetty*, co-Founder and CEO

Anil has had an extended entrepreneurial career during which he was involved in evolving start-up businesses in IT, Infrastructure and Environmental sectors both in the UK and India. He co-founded and developed Greenko with Mahesh Kolli in 2004 and raised funds for financing early operations. He is now responsible for effectively implementing the strategic business road map of Greenko.

2. *Mahesh Kolli*, co-Founder and President

Mahesh started his career at a 1,000MW power plant and went on to build his entrepreneurial interests in IT and Environmental space. He is experienced in the emissions trading markets and is also co-founder, with Anil Chalamalasetty, of Lytag Asia, an environmental solutions company focused on coal gasification and transforming waste from thermal power plants into light weight building products. Within Greenko, he is responsible for driving the vision and business development.

3. *Harish Chandra Prasad*, non-executive Chairman

Harish is the founder and principal shareholder of Malaxmi NBFA, a private infrastructure group. He began his career at power project consultant Desein Pvt, and after a short period with Spectrum Power Generation, he joined Lanco group as their Managing Director of the power business. His initial project, a 350MW gas plant for Lanco Group, was the first private sector power project in India under the tariff-based international bidding process following the Electricity Act 2003. During his career, Harish has been responsible for installing over 4,500 MW in India.

4. *Narasimharamulu Pantam*, non-executive Director.

Mr. Pantam, aged 62, was formerly Finance Director of NTPC Ltd, the largest power utility in India, and played a pivotal role in their listing of shares on the National and Bombay stock exchanges in 2004. In addition to his role as Finance Director, Mr. Pantam was also part-time director on the boards of a number of NTPC's subsidiaries and joint ventures including NTPC Electric Supply Company Ltd., NTPC Hydro Ltd. and NTPC Utility Power Tech Ltd. Mr. Pantam is currently on the board of a number of companies including M/s Vijai Electricals Ltd, the manufacturer of power and distribution transformers and M/s Lanco Infratech Ltd., a power and power trading company. He consults for a variety of public sector bodies at both state and national level including Power Finance Corporation Ltd., New Delhi, Power Grid Corporation of India Ltd., Gurgaon and Oil India Ltd, Noida

II.3 Shareholders structure

Following Greenko's two recent capital deals, shareholders structure will alter significantly.

- **Global Environment Fund (Sept'09):** In September '09, Greenko secured \$46m from Global Environment Emerging Markets Fund III L.P, a major clean energy investor based in the United States. GEF is a Chevy Chase, Maryland-based private equity firm founded in 1990 investing in emerging markets, clean technology, energy efficiency, and timberland in emerging.

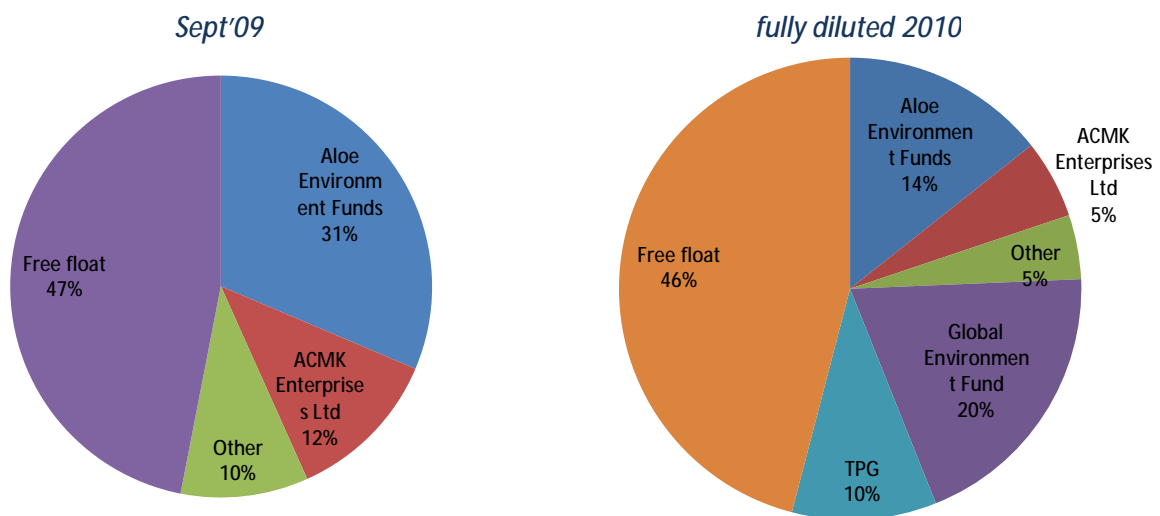
GEEMF will subscribe \$46.26m for the issue of 36,728,219 preference shares in Greenko Mauritius which is the 100 % owner of Greenko Energies Private Limited ("GEPL"), which is the holding company for all of Greenko's power schemes in India. GEEMF has the option to swap its preference shares for 29,124,371 Greenko ordinary shares. The conversion price is set at 98p (IPO price in Nov'07), 40% above the price upon announcement.

*Conversion price of
£0.98/share, in line with IPO
price.*

q £72m capital increase/ TPG (Jan'10). In Jan'10, Greenko raised ~£72m through issuing 51,429,000 new ordinary shares at a price of £1.40/share, a discount of approximately 1.4% per cent. to the closing middle market price. TPG (through its TPG growth vehicle) was a lead investor. TPG is a global private investment firm, with approximately \$45bn of assets under management.

In the figure below, we have plotted the change in shareholders structure post two deals (assuming conversion into ordinary shares).

Figure 2. Greenko's phased RES-e approach

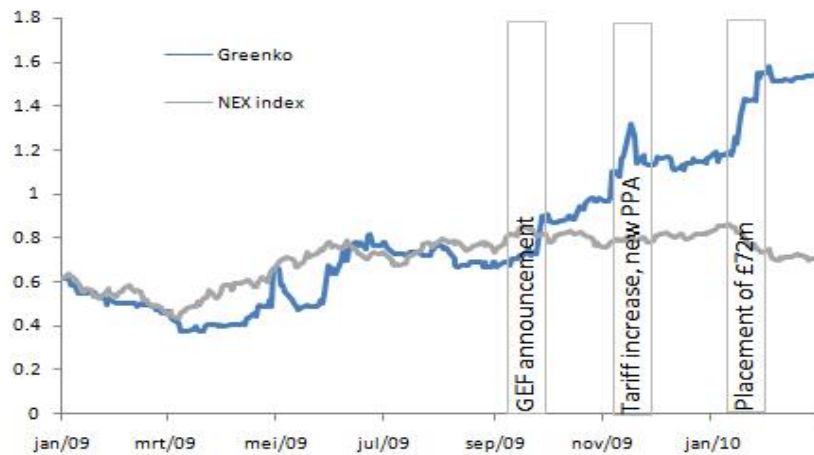


Source: 7c Consult

II.4 Share price performance

The figure below shows the strong outperformance of Greenko vs the broader Wilderhill New Energy index. Whereas Greenko's shares traded in line with the index in H1'09, strong newsflow has triggered a sharp outperformance. We highlight the capital deal with GEF, the tariff increases combined with new PPA's and finally the placement in early 2010.

Figure 3: Greenko's share price vs NEX index

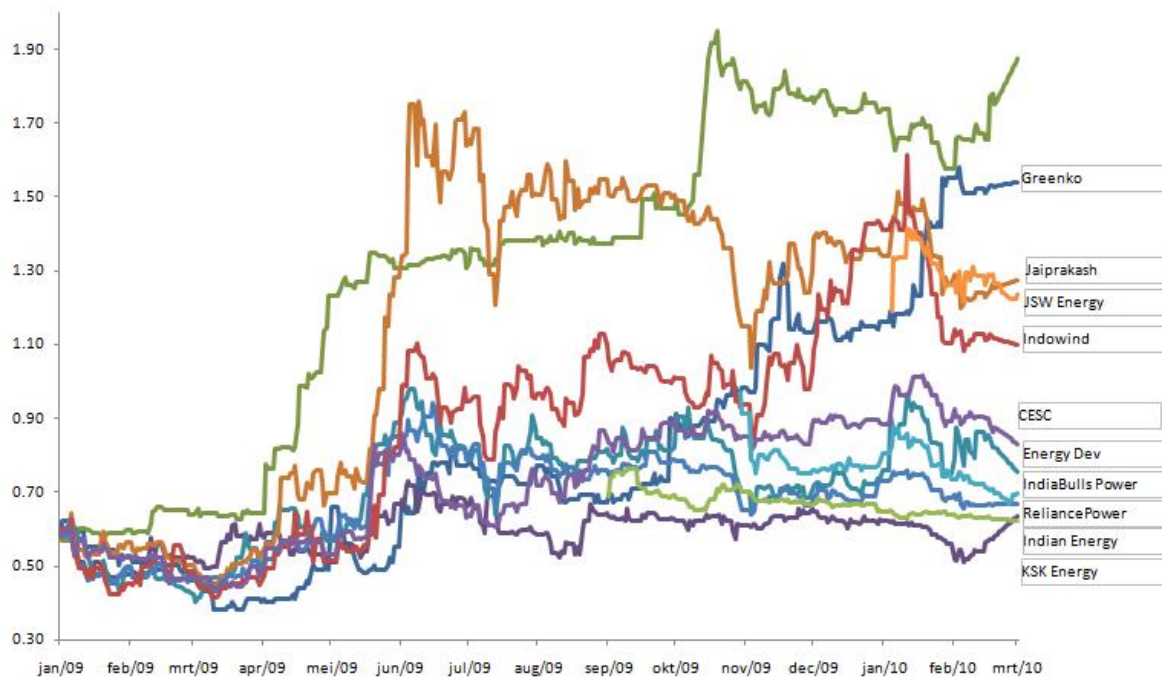


Source: Bloomberg

The figure below shows the performance of Greenko vs its peers. We believe KSK Power Ventures (due to its size of MW operational), Indowind (pure play on wind RES-e), Indian Energy (pure play on wind RES-e) to be the best peers.

Remarkable, the best performing shares within our peer group are both not-indian quoted companies, indicating there is no premium for having a quotation in the home market. We also included the two most recent IPO's IndianBulls Power and JSW Energy.

Figure 4. Greenko's share price performance vs its peers



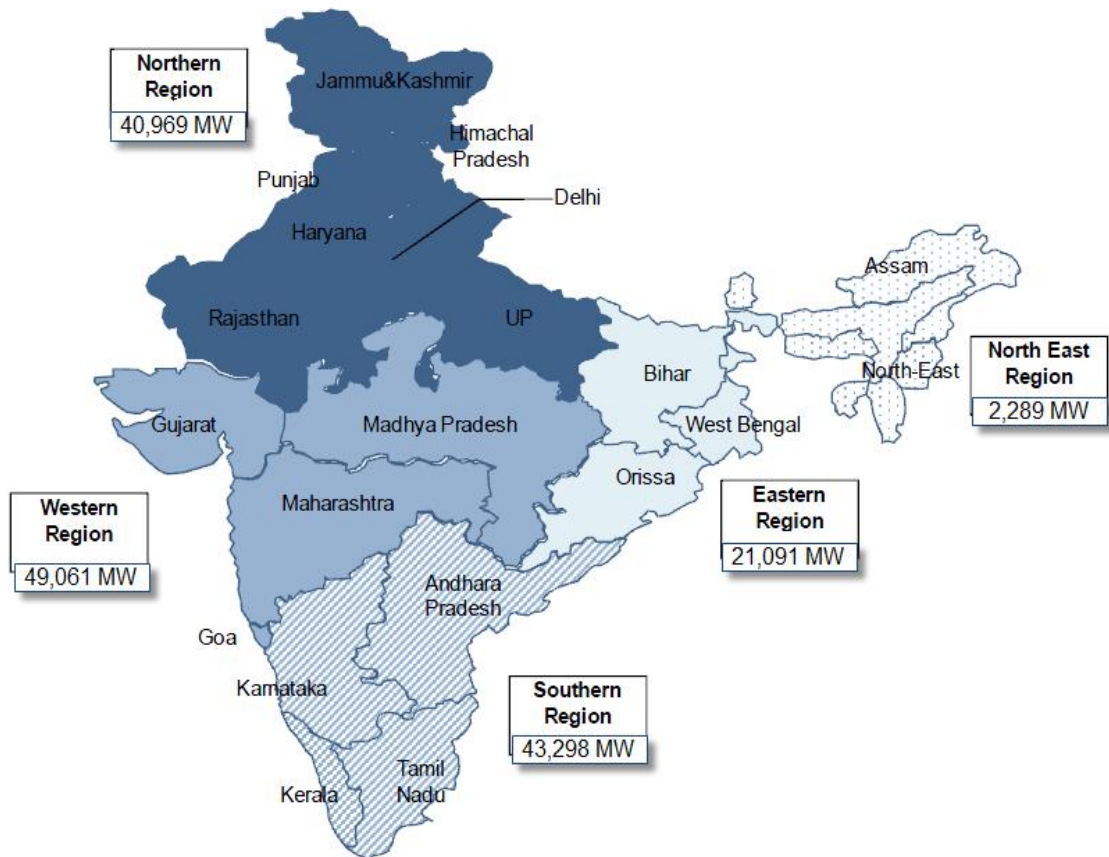
Source: 7c Consult

III VERY BULLISH ON INDIAN POWER SECTOR

III.1 Brief introduction on the Energy sector

India is the sixth largest consumer of electricity in the world accounting for 3.7% of the global energy consumption. The country is divided into 5 regions for power transmission and distribution systems. Overall, the total installed capacity in the power sector was 156,784 MW as of January 2010 with the Western region having the highest installed capacity as indicated below:

Figure 5. India : 5 power regions

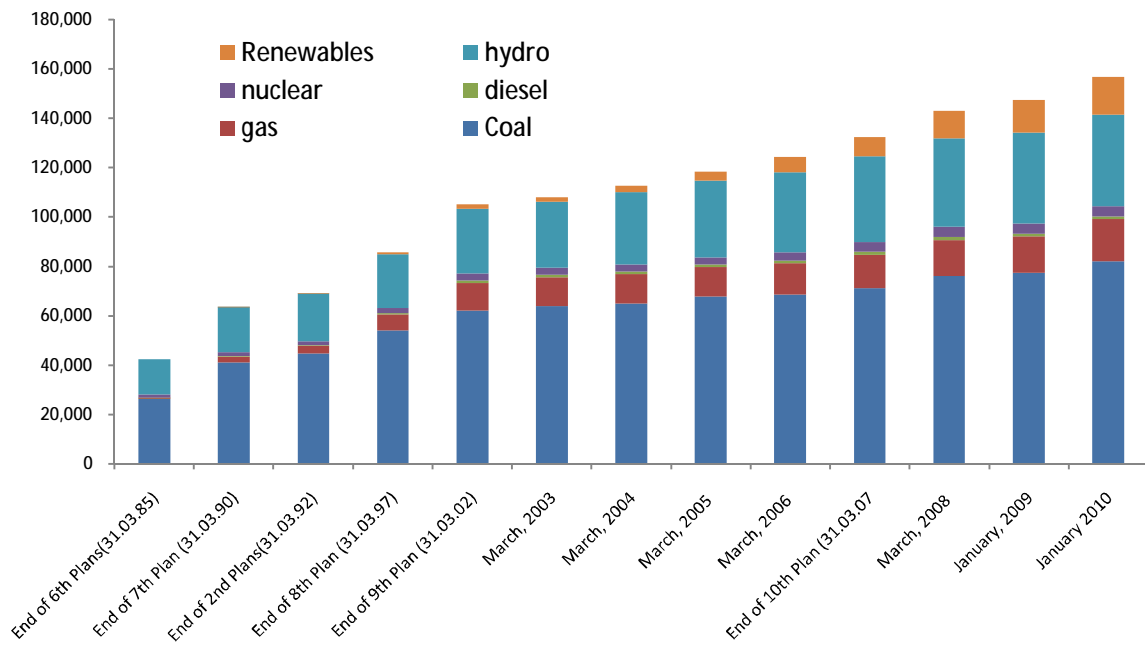


Source:CEA

India's total installed base stands at 156,784MW, as of Jan'10, of which 52% is coal-based. (Large) Hydro, with 36,197MW is the second most important generation source, representing 25% of total capacity. Renewable energy represents about ~10% of total installed base, of which 2,120MW (1% of total) related to small hydro. It is important to mention that over the last 30 years, hydro power's share of the Indian market for power has steadily declined, from about 50% in 1963 to currently around 27%.

Coal is still dominant within India's power sector.

Figure 6. India : historical capacity growth (in MW)

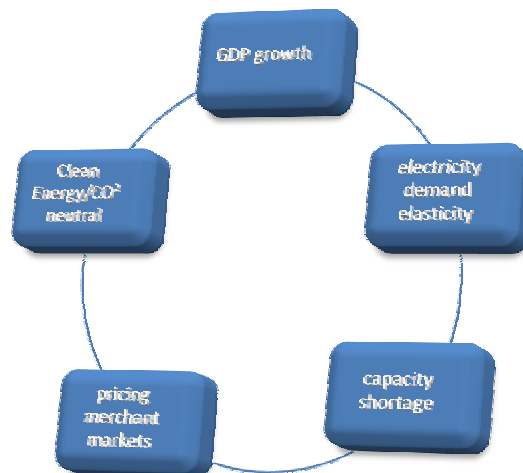


Source:CEA

III.2 Main dynamics

We highlight the following elements which determine the dynamics of the power sector. We will first discuss the structural power deficit and look into the drivers for demand (GDP growth and electr demand elasticity) and supply , secondly we will discuss the electricity power environment and finally look into the impact of the clean energy requirements.

Figure 7. The Dynamics of the power sector circle



Source: 7C Consult

III.3 Power shortage

Slow building up of capacity and increasing demand.

Despite the strong growth as show in Figure 6, the power industry in India has historically been characterized by energy shortages. This is due to a combination of factors: slow building up of capacity on supply and increasing demand, resulting in a structural power deficit.

q Demand side : delayed capacity roll out

Over the last years, the demand for electricity has grown steadily at over 10% per annum, which is expected to further accelerate to around 11% until 2012. The main drivers behind the power demand are

- i) Strong GDP growth The International Monetary Fund has forecast India's economy to grow at 6.75% in 2009/10 and 8% in 2011/12 on the back of an expected pick-up in private consumption and investment. Private consumption would benefit from better employment prospects and less uncertainty, and investment would be boosted by robust corporate profits, rising business confidence, and favorable financing conditions, according to the IMF's statement

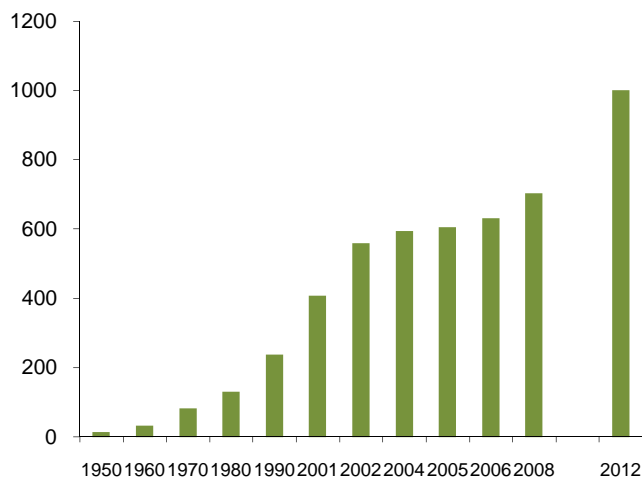
Figure 8. GDP forecasts

| | average 2000-2008 | 2009e | 2010e | 2011e |
|----------|----------------------|--------|-------|-------|
| world | 3.30% | -2.00% | 3.10% | 2.90% |
| Eurozone | 1.90% | -3.80% | 1.30% | 1.10% |
| Japan | 1.40% | -5.30% | 1.00% | 0.90% |
| China | 10.10% | 8.70% | 9.50% | 9.00% |
| Brazil | 3.30% | 0.50% | 5.00% | 5.00% |
| India | 7.30% | 7.50% | 7.90% | 8.10% |

Source: IMF

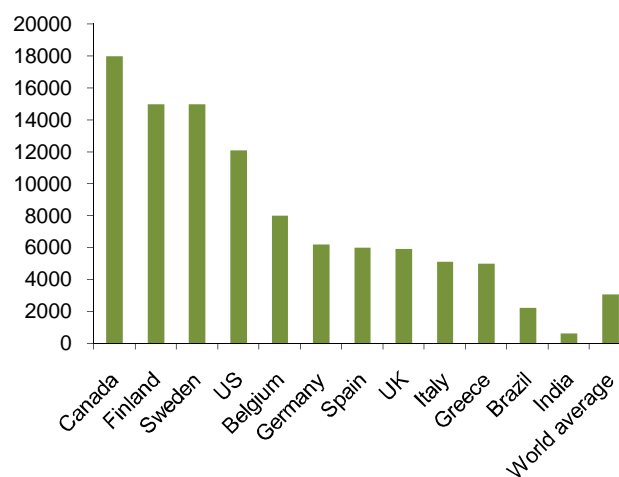
- ii) Low per capita consumption of power Per capita consumption of electricity in India has grown from 15 kWh/year in 1950 to 665kWh/year in fiscal year 2007. The Central Electricity Authority CEA has recently revised upwards its forecast of the per capita energy consumption of energy by 2012 from 932kWh/year to 1,000kWh/year, an increase by 7%. Despite the strong growth, India is still far below the world average of 3,059 kWh, as shown on the graph. Assuming a likely population of 1.2bn, this would require a total demand of 1,200,000 GWh. Compared to the 2007 demand of 700TWh, this calls for a generation output CAGR of 11%.

Figure 9. kWh/capita India



Source: CEA

Figure 10. kWh/capita worldwide



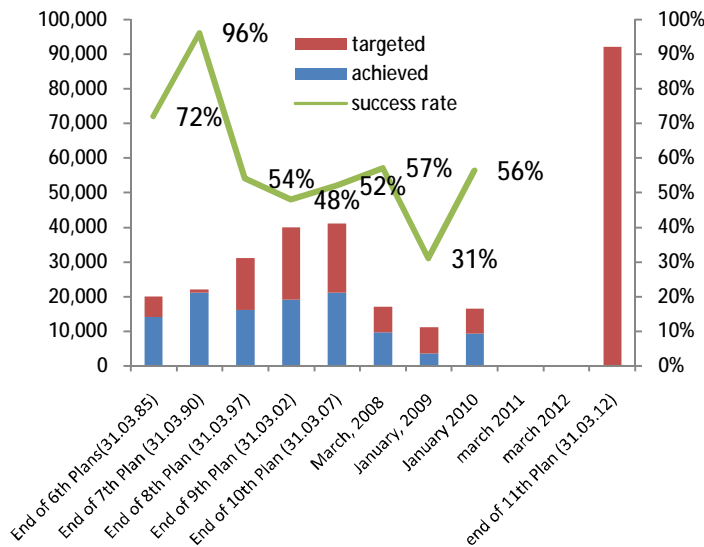
Source: UNDP, CIA Workbook

- iii) Electricity demand elasticity Estimates of electricity income and price elasticity have shown that the income elasticity of electricity was highly responsive. It further implies that more generation will create its own demand, especially in an environment where demand has been constrained by supply. We understand that electricity demand elasticity has further increase from 0.8x to 1.1x as standard of living further improves.

q Supply side : delayed capacity roll out

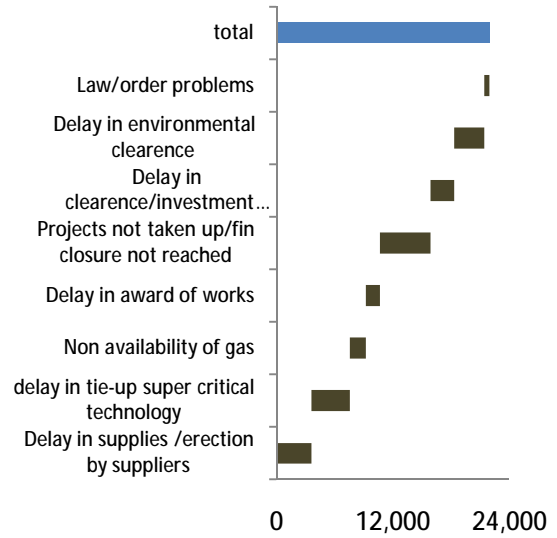
The current XIth plan (which ends in March '12) targets to build 90GW. This is however very unlikely to be met, given the significant shortfall of the first two years (2008 – 2009) and overall weak track record in meeting these targets. As shown in the Figure below, average success rate has hovered around 50%. Given that so far in three years time only 22,000MW have been installed under the XIth plan, we believe the target of 90,000MW will not be met.

Figure 11. Weak track record in reaching targets (in MW)



Source: CEA

Figure 12. reasons behind shortfall in X th plan



Source: CEA

Reading through the 21,000MW shortfall in the Xth plan, we highlight that not surprisingly lack of supplies, lack of financing and delay in the environmental clearance are key issues behind the delay. Obviously these factors cannot be circumvented overnight and hence they will have a material impact on the XIth plans as well.

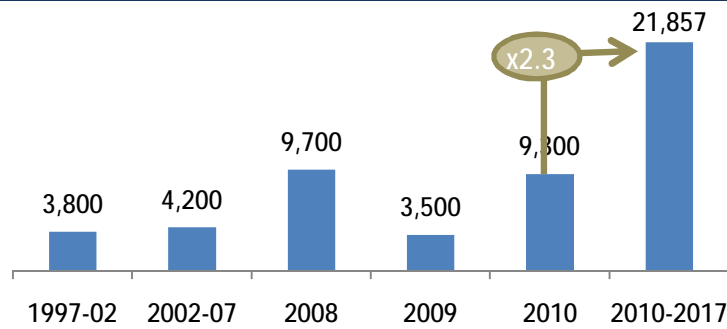
Figure 13. Govt estimates on capacity growth

| | total energy required (bn kWk) | | projected peak demand (GW) | | installed capacity required (GW) | | capacity addition required (GW) | |
|------------|--------------------------------|------|----------------------------|-----|----------------------------------|-----|---------------------------------|-----|
| | 8% | 9% | 8% | 9% | 8% | 9% | 8% | 9% |
| GDP growth | 8% | 9% | 8% | 9% | 8% | 9% | 8% | 9% |
| 2007-2012 | 1097 | 1167 | 158 | 168 | 220 | 233 | 67 | 78 |
| 2012-2017 | 1524 | 1687 | 226 | 250 | 306 | 337 | 86 | 104 |
| 2018-2022 | 2118 | 2438 | 323 | 372 | 425 | 488 | 119 | 151 |

Source: CEA, Integrated Energy Policy

In the figure above, we have highlighted government estimates (based on demand elasticity of 0.8x). Even on a 8% GDP growth, capacity needs to double to close to 306GW (from currently 156GW). This would require annual capacity growth to almost double from 9,300MW in 2010 to 22,000MW up to 2017, posing huge question marks on execution. Given the previous track record on installation adds, we see annual new adds rather at a range of 15,000MW to 22,000MW for the next three years.

Figure 14. Would require annual adds multiplication of factor 2.3 (in MW)

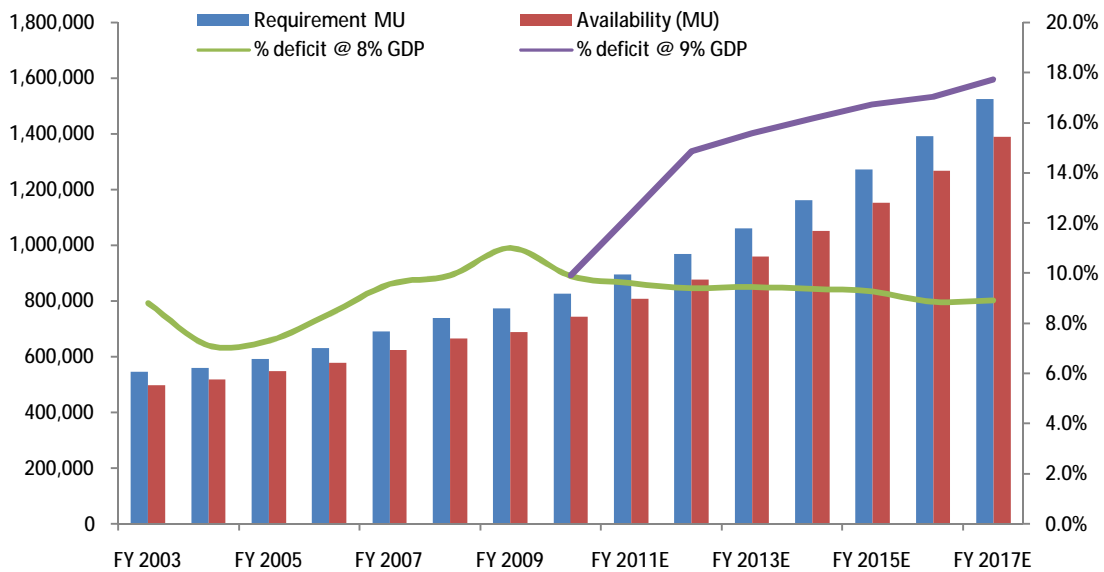


Source: CEA

Resulting in a structural Peak and energy power shortage

According to CEA data, demand for electricity in India up to Jan 2010 exceeds supply by 9.9%, translating into a total energy shortage of 68.1TWh. Measured in peak shortage, peak demand up to Jan 2010 rose to 116.1GW, representing a peak deficit of 12.6%.

Figure 15. Weak track record in reaching targets (in MW)



Source: CEA, 7C Holding est

We have a non-consensus view on power deficit, which we see only mildly going down to 8.6% in 2017, compared to other market participants which are banking on a 2% to 4% deficit by 2017. Our scenario assumes a 8% GDP growth and 0.8x demand elasticity. Assuming a 9% GDP growth would result in a further increasing power deficit to 18% by 2017.

It is important to highlight the regional differences in power deficit: the Western region is the most deficient in power supply availability, with peak deficit up to 15%. We will further below in Chapter V discuss Greenko's footage vis-à-vis regional power deficiencies.

Figure 16. Regional difference in power supply availability (as of Jan'2010)

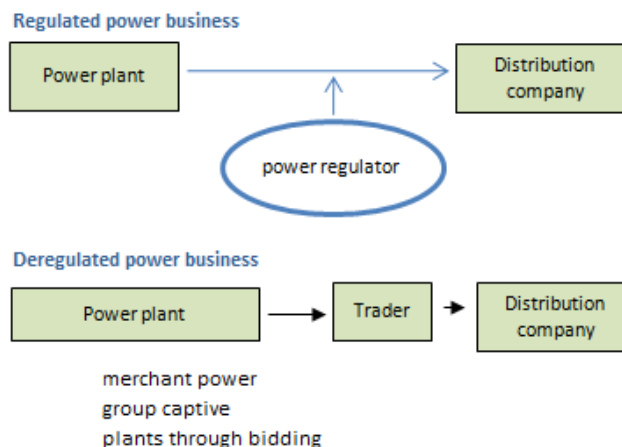
| | peak deficit | net deficit | Greenko presence |
|---------------|--------------|-------------|--------------------------------------|
| Northern | 15% | 12% | Himachal Pradesh (34MW, development) |
| Western | 17% | 13% | Chattisgarh (16MW operationa) |
| Southern | 8% | 6% | Karnataka (84MW operational) |
| Eastern | 5% | 4% | |
| North Eastern | 18% | 11% | Sikkim (96MW development) |
| Total | 12% | 11% | |

Source: CEA, Greenko

III.4 Pricing

We first need to distinguish two co-existing systems: i) the regulated power business, where usually prices are determinate in accordance with guidelines set by the CERC and defined in PPA, and ii) the de-regulated power business, where the free market sets the prices.

Figure 17. Regulated versus deregulated



Source: 7c Consult

Regulated market, SEB PPA structures

Before going into detail on PPA prices we need to define following terminology: i) saleable energy : the tariff under a PPA is calculated for the saleable energy, i.e. net of energy to be given for free to the government of the state (typically in a range from 12% to 15%). ii) Primary energy is the total power units which the plant is expected to generate in a year, based on the plant configuration and the trend in water availability witnessed at the plant location in the past. Primary

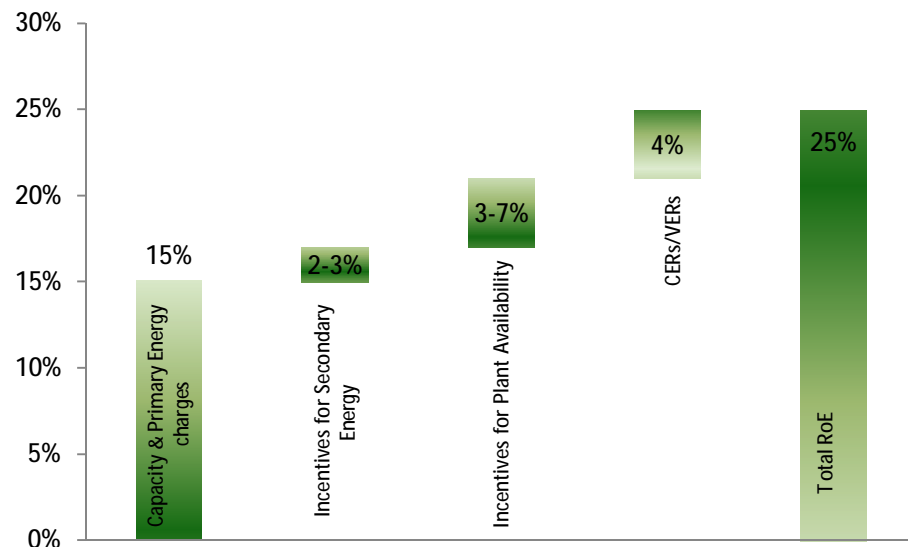
energy is comparable to the P90 concept (frequently used in solar and wind), implying that in 90% of cases given past trends, the plant will generate an output, which is at least equal to the primary energy. Iii) Secondary energy is the amount of power generated on top of the primary energy, thanks to favourable water availability.

The key features of the tariff determination in most PPA's are : i) capacity charges, ii) Primary energy charges, iii) secondary energy incentives, iv) incentives for plant availability , v) CERs/VERs.

- q Capacity charges: Full capacity charges are recoverable if the plant availability level equals or exceeds a normative availability level of typically 85-90%. In case the plant availability is less than the level set, capacity charges are reduced on a pro-rata basis. The rate at which depreciation is calculated for tariff purposes is also fixed by the PPA and ranges between 3% and 4.5%. Interest on loans is generally calculated on an actual basis.
- q Primary energy charges: Primary energy charges entail : i) Operation and maintenance charges, which are typically fixed as a percentage of capital costs and escalated at an annual and ii) Interest on working capital at a pre-determined rate. Return on equity at the rate of 14-16% p.a. of the equity component of the
- q Incentives for secondary energy: Secondary energy incentives are earned on the secondary energy generated in any year and are received at the same rate as the primary energy charges.
- q Incentives for plant availability In addition to the tariff, PPAs also offer incentives for higher than normative plant availability. In case the plant availability level in a tariff year, as determined in accordance with the terms of the PPA, exceeds the normative level, the power plant is entitled to an incentive at specified rates of equity component of the capital cost. There is also a ceiling set on the maximum rate at which incentives are payable on plant availability. We however note that recent CERC norms mandat
- q CERs/VERs: Finally, hydro operators can be entitled to CERS (accredited by UNFCCC) or VERs. Typically VERs (Verified Emission Reductions) trade at a 30% to 50% discount to CERs (Certified Emission Reductions).

Whereas the base remuneration covers the capacity and primary energy charges and typically allow for a RoE of 14% to 16%, the incentives for secondary energy and plant availability, together with CERs/VERs allow operators to significantly exceed the minimum return cap. Typically RoE for regulated hydro projects are in the range of 20% to 25%.

Figure 18: typical RoE for regulated hydro asset : up to 25%



Source: 7c Consult

De-regulated market, spot prices

The huge deficits (see above) have given rise to merchant power markets (introduced under The Electricity Act 2003), which has flourished to account now for about 9% of total generation.

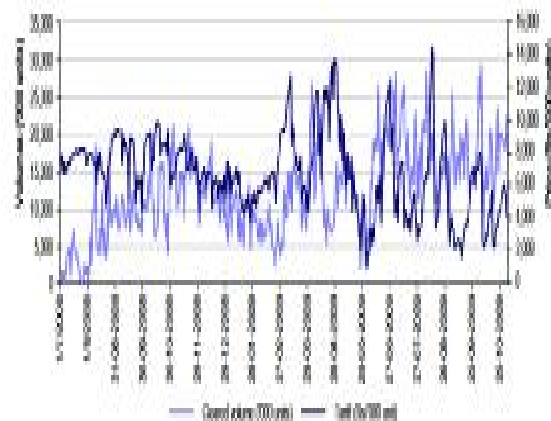
Merchant prices have risen by almost 62% yoy in FY'09 to Rs7.31/kWh, which is obviously a significant premium over the regulated PPA rates. The sharp rise is mainly caused by the expanding shortage of power. The figures below highlight the significant increase witnessed over the recent years.

Figure 19. Upward trend of electricity traded (in GWh)

| in GWh | March' 05 | March' 06 | March' 07 | March' 08 | March' 09 | YTD |
|------------------|-----------|-----------|-----------|-----------|-----------|------|
| Rs10.00 -12.00 | | | | | 5 | |
| Rs8.00 - 10.00 | | | | 557 | | |
| Rs6.00 - 8.00 | | | 462 | 5,293 | | |
| Rs4.00 - 6.00 | | 648 | 11,140 | 4,094 | | |
| Rs2.00 -4.00 | 10,637 | 13,540 | 3,169 | 2,648 | | |
| < Rs 2.00 | 1,210 | | 252 | 4,730 | | |
| Total | 11,847 | 14,188 | 15,023 | 17,327 | | |
| Weighted average | 2.32 | 3.23 | 4.51 | 4.52 | 7.31 | 5.00 |

Source: PTC

Figure 20. overview of IEX data : April '09

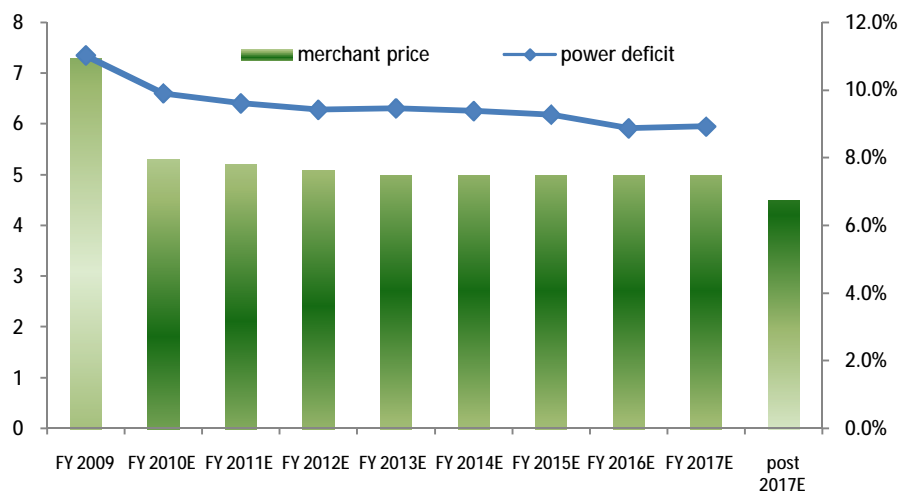


Source: IEX

Linked to our power deficit scenario, we would not expect a significant fall in merchant prices. As we believe the power deficit will only mildly come down, we

expect at least until FY'2017 to be around Rs5.00/kWh. To be on the conservative side, post 2017 we are banking on a flat merchant price of Rs4.5/kWh. This is in line with comments from other market participants, such as Jindal Steel and Power, which "expects long-term average merchant power prices to come down to around Rs4.50/kWh.

Figure 21: Our view on merchant prices

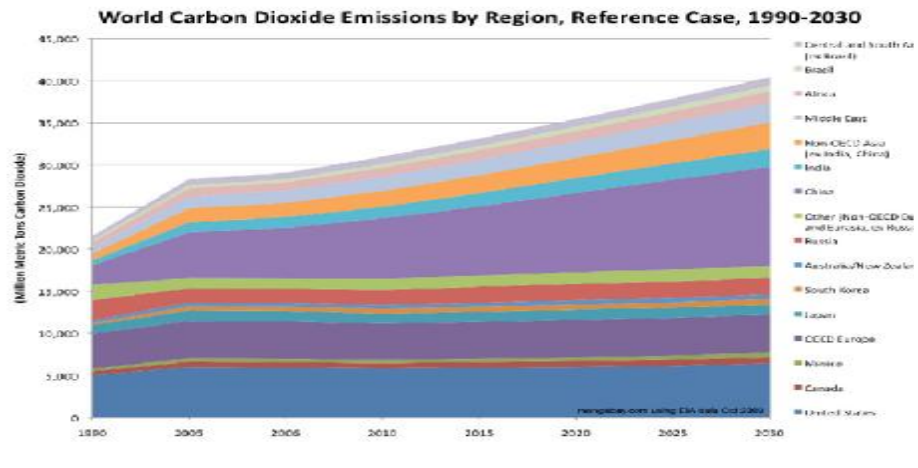


Source: 7c Consult

III.5 The importance of being green

The importance of being green cannot be underestimated in India, given India's high exposure towards coals. It is expected that by 2030, India's carbon dioxide emissions from coal combustion are projected to total 1.3bn metric tons, accounting for more than 7% of the world total. India's total greenhouse gas emissions will rise from about 1.2bn tonnes at present to between 4bn and 7bn by 2030. In order to reduce dependency on fossil fuels, India has very recently (end Feb '10) announced plans to levy a tax on coal and use the money to start a national fund to back renewable energy projects. Indian Finance Minister Pranab Mukherjee indicated that a clean energy tax of 50 rupees/metric ton will be imposed on domestic and imported coal, Mukherjee said, without specifying a target for the fund. Industry participants estimates that the new levy could help raise about Rs25bn.

Figure 22. Expected global increase of carbon emissions



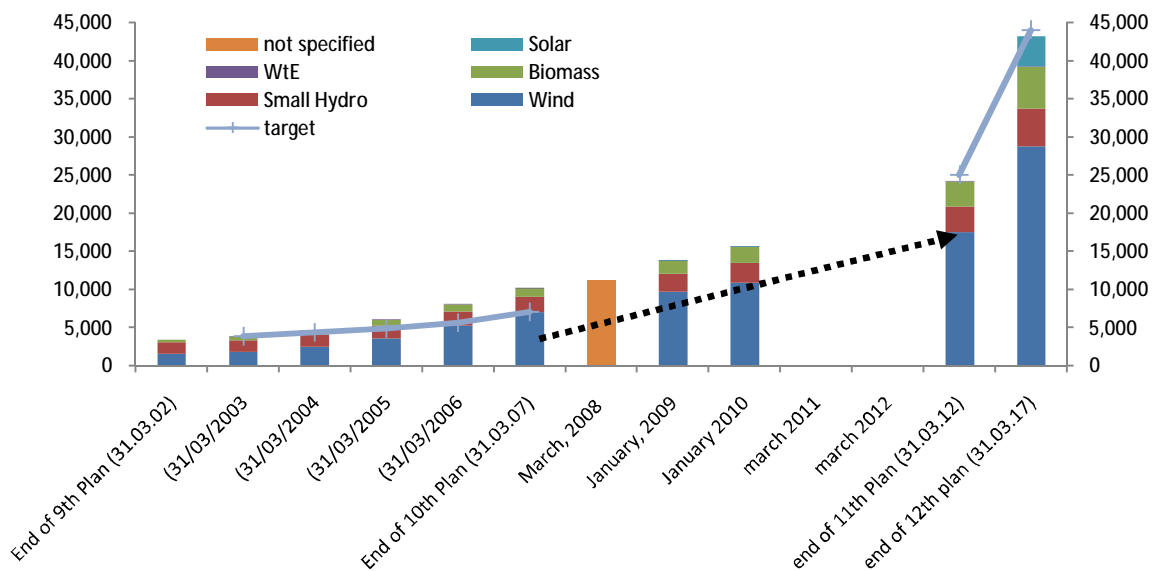
Source: EIA , 2009

While tripling the emission may seem alarming, looking on a per capita base, India scores very well and hence is reluctant to accept binding targets that could harm economic growth. As per the Copenhagen accord, India set a voluntary target to cut its carbon intensity (defined as the amount of carbon dioxide released per unit of GDP) by as much as 25% by 2020 from 2005 levels.

Short overview of India’s Renewable sector

India’s current installed base of renewables (excluding large hydro) amounts to about 15,427MW, of which around 11,000MW wind, 2,000MW small hydro and 1,500MW biomass.

Figure 23. Expected growth in RES-e capacity



Source: MNES, 7C Consult

The figure above plots the historical and expected growth in renewable capacity. The difference in reaching the targets compared to the overall MW capacity is striking. Indeed, since 2002, India has been able to significantly overdeliver on its RES-e targets, with total installed base at the end of Xth plan around 10GW, 45% above its targets. For the XIth plan (defined in 2006), India aimed at adding 15,000MW up to March'17 and a similar amount in the XIIth and XIIIth plan, which seems currently an easy target. Looking at the achievements so far, that target for 2012 still seems to be on track. We have not see any revision on the targets for 2012 and 2017, although we note that India has announced in 2009 a very ambitious solar program (in 2006 estimates, solar was hardly included), aiming for 1,000MW to 2013 and adding another 3,000MW by 2017. This total potential installed capacity could be more than doubled to 10 GW or more by 2017 based on enhanced and enabled international finance and technology transfer, according to the Ministry for New and Renewable Energy (MNES). By 2022, the target has ambitiously been set at 20 GW. Grid parity with cheap coal-fired thermal power is anticipated by 2030.

RES-e regulatory framework: . RPO, RPS

The government has set a target of 10% energy from renewables by 2012 and is contemplating to increase this to 20% by 2020. Main tool to achieve these targets are the Renewable Purchase Obligation (at state level) and Renewable Purchase Standards (at utilities level).

- q Renewable Purchase Standards The Indian government announced in early 2009 new renewable energy standards for utilities, requiring power utilities to buy 5% of their power from renewable energy sources by the end of 2010. Afterwards, the minimum for renewable energy will be increased every year by 1% for the next 10 years to reach 15% in 2010.
- q Renewable Purchase Obligation: So far 16 State Electricity Regulators have ordered such RPOs, making it mandatory for all distribution utilities in the state to source a minimum quantum of electricity annually from renewable sources. In the figure aside, we have highlighted the states which have put in place a RPO in green.

States with RPO



Expressed as a percentage of its total consumption, the RPO varies from 1% to 10% across the states that have implemented it so far, with regulators in Karnataka, Madhya Pradesh and Tamil Nadu clearly taking the lead as they are pegging the limit at up to 10%. On a pan-Indian basis, the total RPO commitment by these 12 states cumulatively adds up to around 35,518 GWh, which is around 5.33% of the total power consumed by in the country during 2007-'08 (estimated at 666,007 GWh, according to latest CEA). If India would enforce a 10% RPO by 2017, this would require renewable energy generation of 152TWh (based on our estimates). We would estimate that the RE current

installed base of 15GW would yield an output of 43TWh. Hence, a 10% RPO would require RE output to almost quadruple up to 2017.

Figure 24. RPO by State

| State | Order Date | RPO fixed by state regulator (per annum) | RPO est. GWh |
|----------------|--------------|---|--------------|
| Andhra Pradesh | Sep-05 | 5% | 3,207 |
| Madhya Pradesh | | 10% | 4,156 |
| Karnataka | Sep-04 | Minimum 10% | 4,032 |
| Gujarat | October 2005 | 2% | 1,375 |
| Rajasthan | Sep-05 | 7.5% | 2,755 |
| Orissa | Apr-05 | 450 million units | 450 |
| Maharashtra | | 3% | 3,447 |
| Tamil Nadu | | 10% | 6,578 |
| Haryana | May 2007 | Minimum percentage: - 2007-08: 3% - 2008-09: 5% - 2009-10 & thereafter: 10% | 2,935 |
| West Bengal | May 4, 2006 | RPOs vary for different licensees: - WBSEB: 1.9% in 2006-07 and 3.8% in 2007-08 - CESC: 1.02% in 2006-07 and 2.03% in 2007-08 - Durgapur Projects Ltd: 0.72% in 2006-07 and 1.4% in 2007-08 - DPSC Ltd: 0.43% in 2006-07 and 0.95% in 2007-08 | 1,103 |
| Kerala | June 2006 | 5% 2% SHP 2% Wind 1% non SHP- Wind | 783 |
| Uttar Pradesh | | 7.5% | 4,697 |

Source: 7c Consult IR

Quantifying the green premium

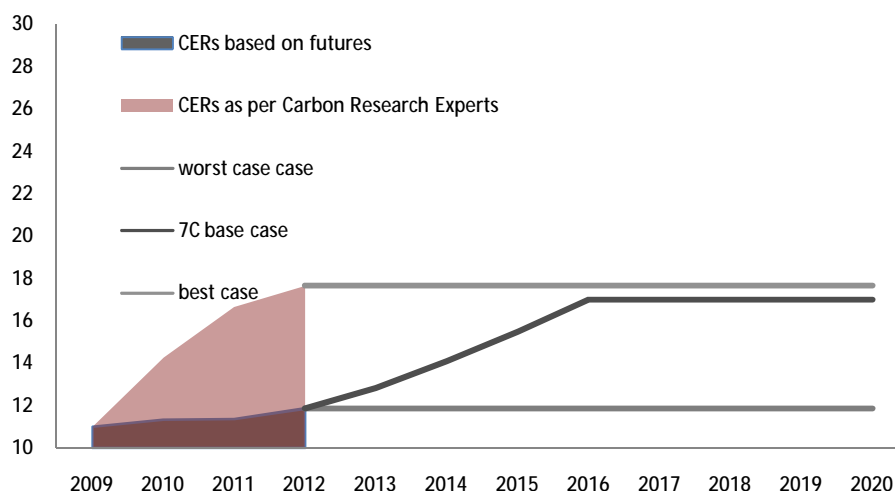
We see two main support mechanism for a green premium: i) Renewable Energy Certificates and ii) CER. We will discuss both further below. In addition, one could argue that avoiding the coal tax also adds to the green premium.

- q** Renewable Energy Certificates: Through a Renewable Energy Certificate REC mechanism, green power could become a tradable commodity and would promote inter-State sales of renewable generation. The REC's would essentially create a nationwide market for renewable energy, enabling renewable deficit States to tide over their RPO's and spur higher green power generation in surplus State. While states such as Tamil Nadu and Karnataka have already approached the 10% mark for renewable procurement as prescribed under the RPO, many states are not procuring even 1% of their obligation. As a result, states which have already reached very high level of renewable procurement are reluctant

to procure more green power while those with lower potential are not able to procure power from renewable-rich States.

An important milestone was taking in Mid Jan '10, when India announced rules for trading of these certificates. The rules stipulate clean energy producers either sell their electricity at a preferential tariff fixed by provincial power regulators or sell the electricity generation and environmental attributes associated with renewable power separately. The REC will be exchanged only in the power exchanges approved by CERC within the band of a floor price and a cap price to be determined by Central Commission from time to time. Failure to comply with renewable purchase obligations (RPO) will attract 'regulatory charges' (penalty). The nature of these charges will be laid down by the respective State Electricity Regulatory Commissions (SERC), but will be "based on the differential between the RPOs prescribed by the SERCs and the commitments met by the entity".

Figure 25. 7C CER price estimates



Source: 7c Consult

- q CERs: With the Kyoto protocol ending in Dec 2012 and given a weak outcome of the Copenhagen Accord (which only briefly touches upon Carbon markets "We decide to pursue various approaches, including opportunities to use markets to enhance the cost-effectiveness of and to promote mitigations actions"), concerns have been raised on CERs post 2012. It is however important to mention that i) In January 2008, the European Commission unveiled EU-ETS legislative proposal for post 2013 period of trading as part of a larger package on renewable energies and climate change. The proposal has been approved by the Parliament on

Dec 17th 2008. Under the ETS proposal, in the absence of a global climate agreement, to succeed the Kyoto protocol, JI/CDM credits from all types of project established before 2013 and accepted in the Community scheme during 2008 and 2012 may be exchanged for allowances of the third trading period up to the remainder of the level which they were allowed in the second trading period and may be used without restriction in the third trading period. ii) Secondly, we expect strong demand from the US, where the Boxer-Kerry bill allows for 500m tons of carbon offsets to be purchased internationally by US emitters. The huge amount of the US carbon offset market (potentially up to 500m tons of carbon offsets) should be compared to the current CER market. To date, the UN has only issued a total of 366.2m CERs, of which 123.4m in 2009 (11% less than in 2008). Due to a fall in clean energy investment and a frozen credit market in the shadow of the global economic slowdown, UN have further reduced their forecast on total amount of CERs available by the end of 2012 from 1.149bn to 1.092bn.

- q Avoiding the coal tax: As indicated above a clean energy tax of Rs50 /metric ton will be imposed on domestic and imported coal.

IV: HOW TO VALUE RES-E ASSETS IN INDIA

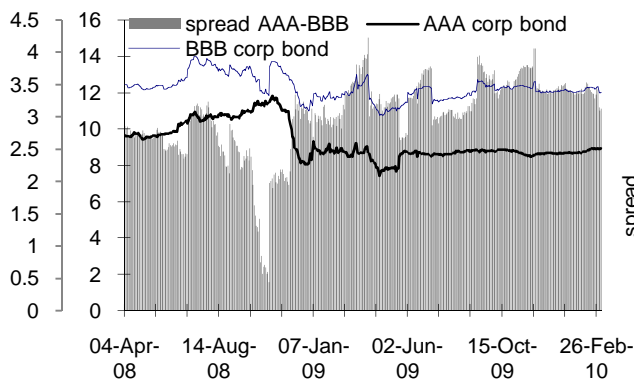
IV.1 A generic model for hydro in India

*We will value a standard
10MW hydro station in India*

We believe it is of surmounting importance to have a clear understanding on how to value hydro and other RES-e assets in India. Therefore we will first elaborate on a generic model for a 10MW hydro project in India. Our generic model is based on the following assumptions for an operational 10MW, CER-approved project:

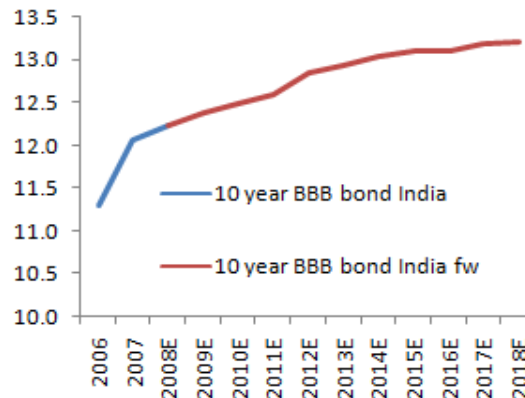
- 10MW mini-hydro, run of river project with a 25 years concession
- fixed tariff of Rs 3.4/kWh: assuming PPA with a State Electricity board
- CER at €12/ton for 7 years. We have incorporated a CER price of €12/ton over a 7 years period, which is the typical CER accreditation period for RES-e. In addition, for hydro we have assumed that 1MW generates 2,500 CER's (4,000 CER's for 1MW biomass), which is confirmed by management's guidance, and also in line with the data from the CDM database.
- O&M cost of 14% of regulated tariff: According to the Himachal Pradesh Electricity Regulatory Commission's, O&M costs are fixed at 1.5% of the capital costs with an annual escalation of 4%. Assuming a capex of €1m/MW, our assumption would translate into an O&M charge of 3% of capex. Hence we believe our assumption is quite conservative.
- Load factor of 35%: refers to the "net availability", including auxiliary consumption (about 8-9% for biomass and 4-5% for hydro) and losses. This is equivalent to 3,090 operating hours, which would yield an output of 30,900MWh. This is line with the operating hours for similar operating assets in the southern region. For the northern part of the country (which benefit from snow fed flows) allow higher PLF above 50%. We conservatively use 4,000h for the assets in Himachal Pradesh. The higher load factor is partially offset by higher capex.
- cost of debt of 12.5% : We use Indian BBB corporate bonds as proxy for the project-financed power assets. This is a few dots below the A rating for Jaiprakash Hydro Power, a pure play 300MW hydro operator in India. Despite the harsh market conditions, interest rates for the BBB bonds have hovered around the 12.5% area. In the figure below at the right hand side, we have plotted our forecast for the BBB bond rates, based on the 10 year forward swap rates. The interest rates on Greenko's schemes vary between 8.2% and 14.5%, averaging approximately 12%.

Figure 26. Cost of debt India (in %)



Source: Bloomberg

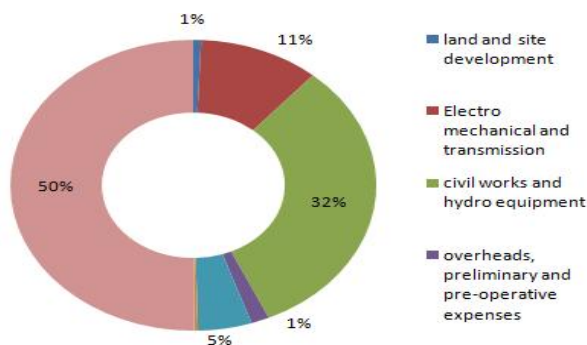
Figure 27: Cost of debt India forward curve (in %)



Source: Bloomberg

- Cost of equity at 11.7% (TTC): based on unlevered beta of 0.8, risk free of 7.2%, country risk premium of 6.5%.
- D/E ratio of 70/30: this is line with the guidelines set by IREDA and Electricity Regulatory Commissions. We note however that the company targets a 75/25 ratio for its latest concession wins, but we conservatively stick to the 70/30 assumption.
- capex of €1m/MW: this is slightly higher than the Greenko's Sonna Hydro project for which capex was set at €0.72m/MW. The split is shown in the graph below.

Figure 28. Capex breakdown



Source: Industry sources

Figure 29. Valuation 10MW hydro

| €m | | T-1 | Y1 | Y2 | Y3 | Y4 | Y5 | Y6 | Y7 | ... | Y14 | Y15 | ... | Y24 | Y25 |
|--------------------------|--------|-------|------|-------|-------|-------|-------|-------|-------|-----|-------|-------|-----|-------|-------|
| Output | GWh | | 35.0 | 35.04 | 35.04 | 35.04 | 35.04 | 35.04 | 35.04 | | 35.04 | 35.04 | | 35.04 | 35.04 |
| Electricity price | Rs/kWh | | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 | | | | | | |
| Electricity price | €/MWh | | 56.5 | 56.5 | 56.5 | 56.5 | 56.5 | 56.5 | 56.5 | | 56.5 | 56.5 | | 56.5 | 56.5 |
| CO ₂ price | €/MWh | | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | | 0.0 | 0.0 | | 0.0 | 0.0 |
| Revenues | €m | | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 | | 2.0 | 2.0 | | 2.0 | 2.0 |
| electricity price | €m | | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | | 2.0 | 2.0 | | 2.0 | 2.0 |
| CO ₂ revenues | €m | | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | | 0.0 | 0.0 | | 0.0 | 0.0 |
| Opex | €m | | -0.3 | -0.3 | -0.3 | -0.3 | -0.3 | -0.3 | -0.3 | | -0.3 | -0.3 | | -0.3 | -0.3 |
| O&M cost | €m | | -0.3 | -0.3 | -0.3 | -0.3 | -0.3 | -0.3 | -0.3 | | -0.3 | -0.3 | | -0.3 | -0.3 |
| fuel cost | €m | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | 0.0 | 0.0 | | 0.0 | 0.0 |
| EBITDA | €m | | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | | 1.7 | 1.7 | | 1.6 | 1.6 |
| EBITDA margin | % | | 88% | 88% | 88% | 88% | 88% | 88% | 88% | | 85% | 85% | | 83% | 83% |
| D&A | €m | | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | | 0.7 | 0.7 | | 0.0 | 0.0 |
| EBIT | €m | | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 | | 1.0 | 1.0 | | 1.6 | 1.6 |
| Financials | €m | | -0.9 | -0.8 | -0.7 | -0.6 | -0.5 | -0.4 | -0.4 | | 0.0 | 0.0 | | 0.0 | 0.0 |
| Pre-tax | €m | | 0.5 | 0.5 | 0.6 | 0.7 | 0.8 | 0.9 | 1.0 | | 1.0 | 1.0 | | 1.6 | 1.6 |
| Tax | €m | | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | | 0.3 | 0.3 | | 0.5 | 0.5 |
| tax rate | % | | 11% | 11% | 11% | 11% | 11% | 11% | 11% | | 30% | 30% | | 30% | 30% |
| Net profit | €m | | 0.4 | 0.5 | 0.6 | 0.6 | 0.7 | 0.8 | 0.9 | | 0.8 | 0.7 | | 1.2 | 1.2 |
| Capex | €m | -10.0 | | | | | | | | | | | | | |
| Free cash flow | €m | -10.0 | 1.1 | 1.1 | 1.2 | 1.3 | 1.4 | 1.5 | 1.5 | | 1.4 | 1.4 | | 1.2 | 1.1 |
| Net debt | €m | | 6.3 | 5.6 | 4.9 | 4.2 | 3.5 | 2.8 | 2.1 | | 0.0 | 0.0 | | | |
| WACC | % | | 14% | 14% | 14% | 14% | 14% | 14% | 14% | | 13% | 12% | | 12% | 12% |
| Enterprise Value | €m | | 13.5 | | | | | | | | | | | | |
| Equity value add | €m | | 3.5 | | | | | | | | | | | | |
| Project IRR | % | | 17% | | | | | | | | | | | | |
| Equity IRR | % | | 22% | | | | | | | | | | | | |

Source: 7c Consult IR

Based on these assumptions, we obtain a fair EV/MW of €1.35m/MW. This implies an EV/EBITDA multiple of 6.7x at commissioning date.

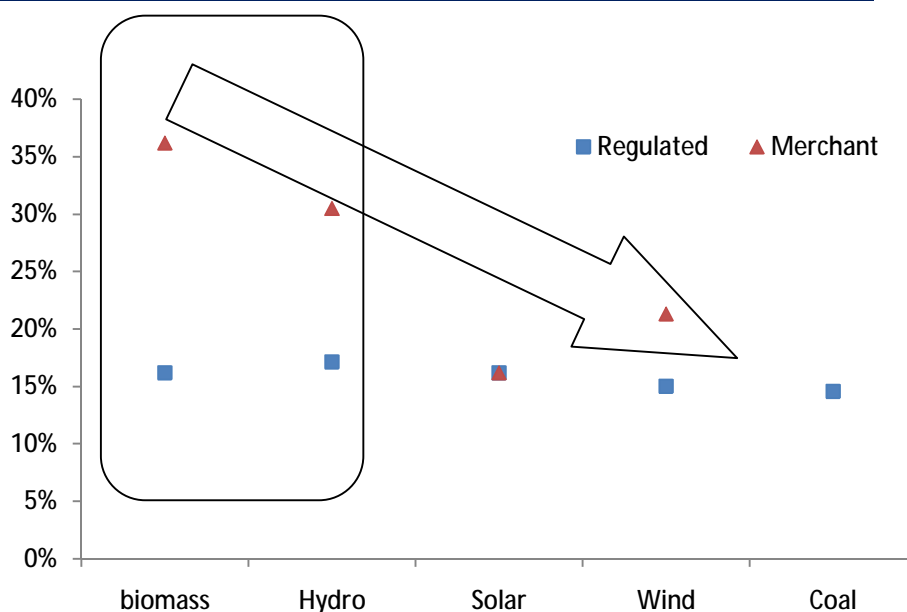
IV.2 Differences between other RES-e and Thermal

In the figure below, we have compared the valuation output for hydro vs other RES-e and coal. While we acknowledge these are mainly theoretical calculations

(especially for coal, there are a lot of project-specific parameters, such as coal cost...) we believe it provides a good indication on the dynamics for solar and wind, two areas which will be actively scouted by Greenko.

On general terms, we would argue that both biomass and small hydro are the hotspot of the Indian energy market. Greenko expects to build up a presence in solar & wind, where we believe the high project IRR (and equity IRRs) will not be met. Even on merchant prices for wind, we see only a very limited upside in project IRR, compared to regulated project IRR. Obviously for solar (with FIT tariffs expected to be around Rs13/kWh), there is no driver to sell into merchant markets. On the other hand, we note that the time to market for both wind and solar could be significantly faster compared to the ~4 years for hydro.

Figure 30. Project IRRs for Greenko's mix between Merchant and PPA MWhs



Source: 7c Consult

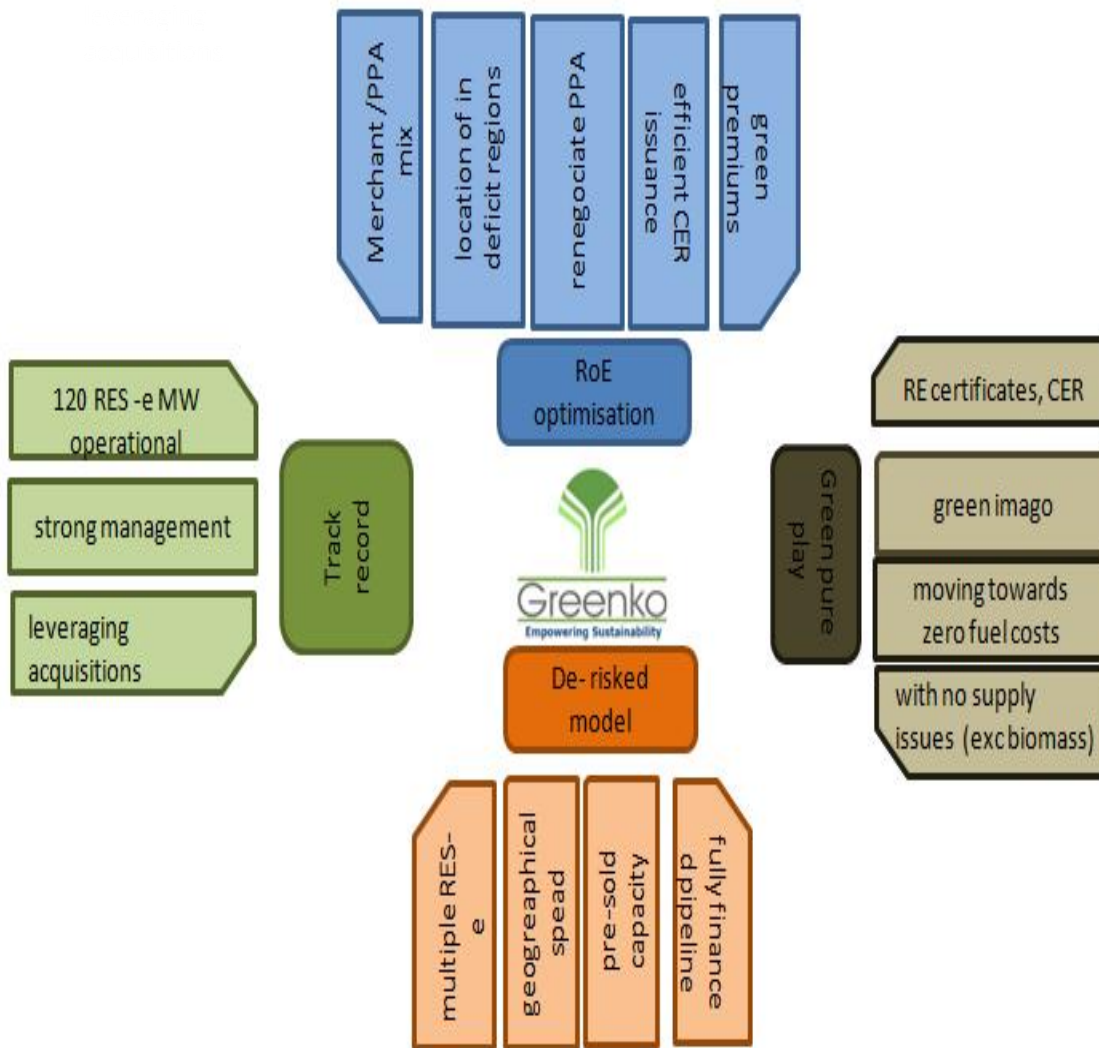
While certain thermal players have been able to obtain similar high return on merchant tariffs, we understand that for regulated coal projects, typical project IRR should hover around 15%. On very straight forward 'rule of thumb' calculations this validates premium valuations for RES-e projects.

V. ANALYSING GREENKO'S COMPETITIVE ADVANTAGE MATRIX

Strategies to unlock the value

In this chapter we analyze Greenko's main building blocks of its competitive positioning within the current market offering. We consider following elements: i) RoE optimization, ii) green pure play characteristics iii) track record and iv) de-risked model.

Figure 31. Visualization Greenko's competitive advantage matrix



Source: 7c Consult IR

V.1 Track record

Each acquisition is immediately value creative

Greenko can rely on a very solid track record which has resulted in an installed base of 121MW. Given that management has recently increased its LT capacity target from ~400MW to 1,000MW, for which the group will rely on internal developments and external acquisitions, it is important to highlight that the group has proven to create significant shareholders value on its acquisitions. At

the same time, the group has evidenced its capabilities on own developments. We believe this underlines management’s capabilities.

a) Installed base of 121MW operation assets

With 121MW operational assets, Greenko has surfaced as one of the leading RES- e pure play independent companies. In the table below, we have listed all Greenko’s operating assets..

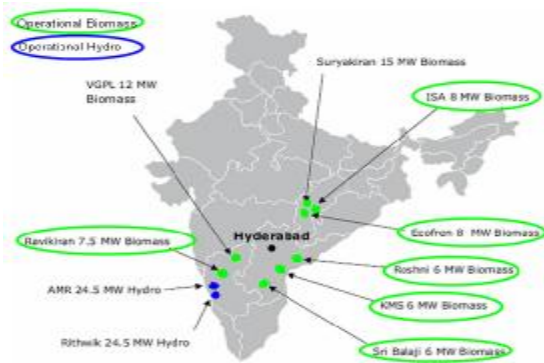
Figure 32: Overview of operational portfolio

| Project Name | Status | source | MW | MWh | CER | UNFCC | CoD | load h | capex | tariff |
|-------------------------|--------|---------|------|--------|--------|-------|--------|--------|-------|-------------|
| Sri Balaji Biomass Powe | O | Biomass | 6.0 | 41,400 | 28,000 | OK | aug/06 | 6,900 | 4.5 | 3.79 |
| Ravi Kiran Power | O | Biomass | 7.5 | 49,300 | 37,468 | OK | dec/07 | 6,573 | 5.5 | 3.3 |
| KMS Power | O | Biomass | 6.0 | 37,800 | 28,000 | OK | jan/07 | 6,300 | 4.5 | 3.79 |
| Roshini | O | Biomass | 6.0 | 37,800 | | | jun/07 | 6,300 | 4.7 | 6 |
| ISA | O | Biomass | 8.0 | 59,600 | 49,468 | OK | sep/07 | 7,450 | 6.4 | 3.9 |
| Ecofren | O | Biomass | 8.0 | 59,600 | 49,468 | OK | sep/07 | 7,450 | 6.4 | 3.9 |
| Perla Hydro- AMR 1 | C | Hydro | 24.5 | 79,409 | 61,000 | OK | sep/09 | 3,241 | 24.5 | 3.4 |
| Shamburi Rithwik | C | Hydro | 24.5 | 79,409 | 60,917 | OK | sep/09 | 3,241 | 24.5 | 6 |
| Sonna | O | Hydro | 10.5 | 30,353 | 23,387 | OK | mei/09 | 2,891 | 10.5 | 3.3 |
| Chunchi Doddi | O | Hydro | 10.3 | 33,000 | 24,000 | OK | apr/05 | 3,300 | 12.3 | 3.3 |
| Upper Awa | O | Hydro | 5.0 | 24,800 | 0 | | mei/08 | 4,960 | 6 | 3.3 |
| Dehar | O | Hydro | 5.0 | 24,090 | 24,000 | OK | jul/04 | 4,818 | 6 | 3.4 |

Source: Company data, 7c Consult

The figures below clearly show that Greenko has successfully diversified into hydro assets, which already account for more two third of all operational asset.

Figure 33. Asset overview at IPO Sep '07



Source: Greenko

Figure 34. Asset overview Mar'10



Source: Greenko

On a 12 months basis, we estimate that these assets will generate sales and EBITDA of respectively of €41.8m and €24.8m. This provide the group with significant cash flows, which Greenko can use to fund its future growth.

b) Leveraging acquisition provides significant upside

Initially, Greenko’s development strategy was axed on acquiring late-stage development assets (typically a few months away from construction start or even already under construction) and operational assets (initially biomass, lately

Late stage acquisition strategy

hydro). Given that in the future, Greenko will heavily rely on acquisitions to reach its 1,000MW capacity, it is important to assess Greenko's acquisition skills.

Figure 35: Acquisition/green field overview list 2007-'08 (all figures in € m)

| Project | RES source | MW | ann. date | Price (€m) | debt (€m) | EV/MW (€m) | status on acquiring | current value/MW |
|----------------|------------|-------|-----------|------------|-----------|------------|---------------------|------------------|
| Sri Balaji | Biomass | 6 | | | | | | 1.27 |
| Ravi Kiran | Biomass | 7.5 | | | | | | 0.92 |
| KMS Power | Biomass | 6 | | | | | | 1.19 |
| Roshini | Biomass | 6 | 27/mei/07 | 2.11 | 2.44 | 0.76 | operationa | 2.42 |
| ISA | Biomass | 8 | 1/sep/07 | 1.87 | 4.98 | 0.86 | operationa | 1.50 |
| Ecofren | Biomass | 8 | 1/sep/07 | 1.58 | 4.96 | 0.82 | operationa | 1.50 |
| Perla Hydro- | Hydro | 24.5 | 27/jan/08 | 12.94 | 21.10 | 0.69 | constructing | 1.24 |
| Shamburi | Hydro | 24.5 | 8/mrt/08 | | | | constructing | 2.00 |
| Sonna | Hydro | 10.5 | 4/jul/08 | NA | NA | NA | construction | 1.10 |
| Chunchi Doddi | Hydro | 10.25 | 18/jan/10 | | | 1.20 | operationa | 1.26 |
| Upper Awa | Hydro | 5 | 18/jan/10 | | | 1.20 | operationa | 1.63 |
| Dehar | Hydro | 5 | 18/jan/10 | | | 1.20 | operationa | 1.85 |
| Dikchu- | Hydro | 96 | 28/sep/09 | NA | NA | NA | licence | 1.74 |
| Paudital_lassa | Hydro | 24 | 10/apr/08 | | | | | 2.34 |
| Joladadag | Hydro | 16 | 4/jul/08 | NA | NA | NA | licence | 1.20 |
| Kallur | Hydro | 16 | 4/jul/08 | NA | NA | NA | licence | 1.19 |
| Shanmuk | Hydro | 15 | | | | | | 1.21 |
| Ullipu Stage 1 | Hydro | 12.5 | 11/nov/08 | 1.80 | 2.40 | 0.34 | licence | 1.18 |
| Ullipu Stage 2 | Hydro | 10.25 | 11/nov/08 | | | | | 1.18 |
| Jeori, | Hydro | 5 | | | | | | 1.69 |
| Jeori II , | Hydro | 5 | | | | | | 1.64 |
| Cauveri River | Hydro | 25 | 18/jan/10 | | | | licence | 1.27 |
| Cauveri River | Hydro | 25 | 18/jan/10 | | | | licence | 1.27 |
| Cauveri River | Hydro | 25 | 18/jan/10 | | | | licence | 1.27 |
| Cauveri River | Hydro | 25 | 18/jan/10 | | | | licence | 1.27 |

Source: 7c Consult IR

In the table above, we have pictured Greenko's main acquisitions over the last three years. Compared to our current valuation, the value creation from these acquisition is quite impressive. We note that only one projects Dinnekere (2MW) has been abandoned. Other projects such as SunamPinab and Surya Kiran have been delayed post 2014, to the benefit of other higher yielding projects.

V.2 RoE optimisation

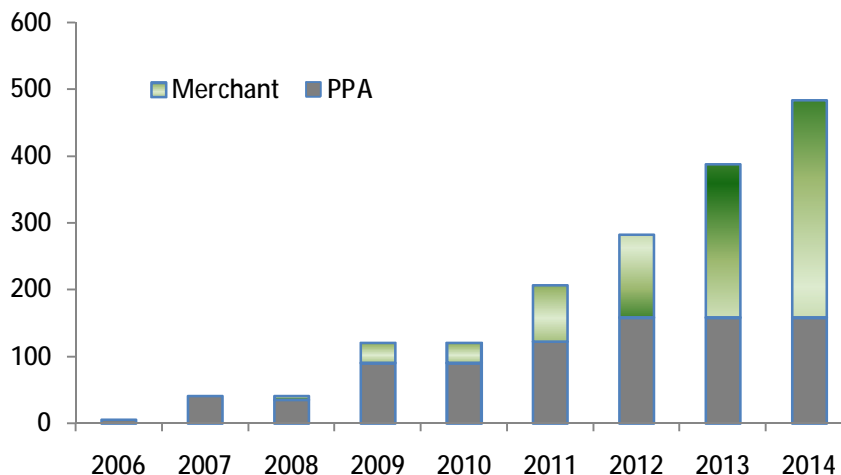
Greenko's development strategy is axed on RoE optimization. Main tools are ; i) balanced PPA/merchant market split, ii) location in power deficit regions, securing higher prices, iii) renegotiated PPAs, iv) efficient CER issuance and v) green premiums.

Focus on RoE

a) **Balanced PPA/merchant**

In our view, Greenko is striking a well-balanced mix between PPA and higher tariff merchant markets assets. In 2008, Greenko market its inroad into the merchant market business through an agreement with PTC for its operational 6MW biomass Roshni with a guaranteed tariff of Rs 6/kWh. In 2009, with the commissioning of the Hydro asset Rithwik, Greenko added another 24MW hydro capacity, under a similar agreement.

Figure 36. Greenko’s mix between Merchant and PPA MWs



Source: 7c Consult

Greenko expects to further increase its exposure towards the high-yielding merchant market to about 67%. For about XX%, capacity has already been presold to PTC (see de-risked model).

b) **Renegotiate PPA tariffs**

To key to earning excess RoE's is to obtain higher tariffs. This can be done through the selling into the merchant market (see above), but also through renegotiating PPA tariffs. In the table below, we have listed Greenko's successful price renegotiations of higher PPA prices.

Figure 37. Greenko’s mix between Merchant and PPA MWs

| Project | MW | old tariff | new tariff | as of |
|--------------------------|----|------------|------------|--------|
| Sri Balaji Biomass Power | 6 | 3.19 | 3.79 | nov/08 |
| KMS Power | 6 | 3.19 | 3.79 | nov/08 |
| ISA | 8 | 3.14 | 3.9 | apr/09 |
| Ecofren | 8 | 3.14 | 3.9 | apr/09 |

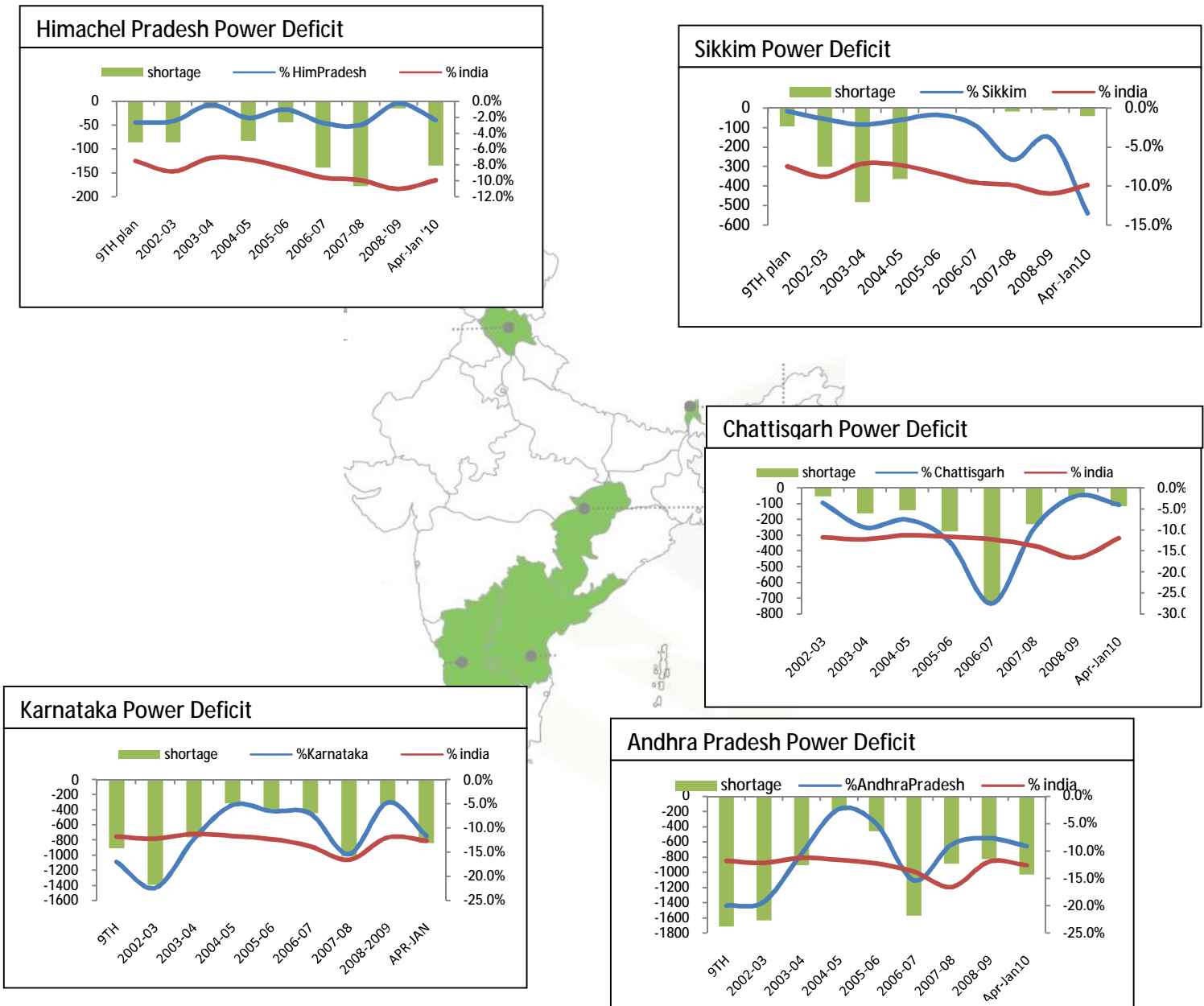
Source: 7c Consult

The company believes that there is further potential for tariff increases under long term PPAs across all states, and has initiated negotiations to secure tariff increases within the other states where Greenko has operational assets.

c) Exposure to deficit regions

While Greenko is not present in India's most power deficit markets (Maharashtra and Gujarat), its presence in power deficit regions will support benign price movements.

Figure 38. Overview of Power Deficits in Greenko's core markets

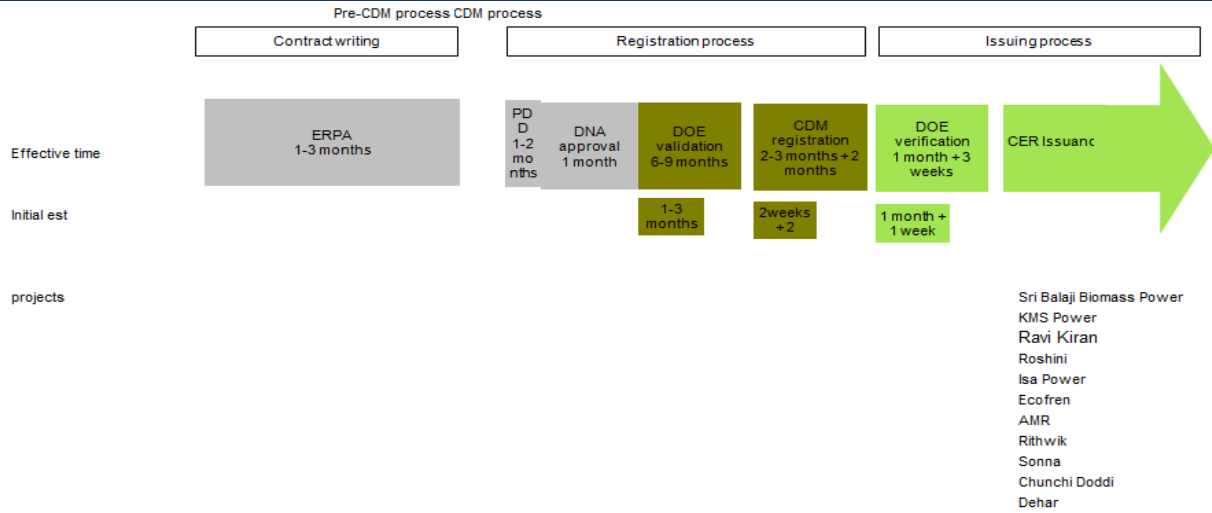


Source: 7c Consult

d) CER Efficiency

In addition to the electricity sales, carbon credits are another valuable source of revenues, with free margin for Greenko. As shown in the figure below, for 10 out of 12 operating assets, Greenko's project have all be registered and receive CERs (388,000 tCO₂).

Figure 39. Timeline CDM process



Source: 7c Consult

High CER issuance success rates, well above sector averages

Reading through the CDM database, we noted that Greenko achieved high issuance success rates (measured as the CER's issued divided by the number of CER's expected in the PDD for the same period). This is significantly higher than the overall CDM market average at 97% (respectively 87% for biomass and 93% for hydro). Also note the lower rates for Chunchi Doddi and Dehar, which were recently acquired. The company has successfully obtained an extension for KMS power, which could be important for the latter two.

Figure 40. Overview of CER characteristics

| | Registered | registration date | crediting period | | first issuance | kCERs issued | Issuance success | 2012 ktCO ₂ |
|---------------|------------|-------------------|------------------|-----------|----------------|--------------|------------------|------------------------|
| | | | from | to | | | | |
| Sri Balaj | OK | 21-May-06 | 15/apr/05 | 14/apr/11 | 29/mei/07 | 137 | 139.1% | 217 |
| KMS Power | OK | 4/jun/06 | 23/jul/02 | 22/jul/19 | 2/jan/07 | 146 | 149.7% | 203 |
| Ravi Kiran | OK | 13/jul/07 | 13/jul/07 | 12/jul/17 | 24/jun/09 | 31 | 113.0% | 131 |
| Roshini | | | | | | | | |
| ISA Power | OK | 30/dec/06 | 1/jan/07 | 31/dec/06 | 8/okt/08 | 47 | 221.6% | 129 |
| Ecofren | OK | 03-May-07 | 3/mei/07 | 2/mei/17 | 1/dec/08 | 26 | 181.4% | 122 |
| AMR | OK | 12-May-09 | 12/mei/09 | 11/mei/19 | | | | 221 |
| Rithwik | OK | 16/nov/09 | 16/nov/09 | 16/nov/19 | | | | 199 |
| Sonna | OK | 21/09/2009 | 21/sep/09 | 20/sep/19 | | | | 77 |
| Chunchi Doddi | OK | 16/dec/05 | 1/jan/05 | 31/dec/12 | 8/nov/06 | 96 | 94.1% | 196 |
| Upper Awa | | | | | | | | |
| Dehar | OK | 18/jul/05 | 1/aug/04 | 31/jul/11 | 4/okt/07 | 55 | 98.0% | 138 |

Source: 7c Consult

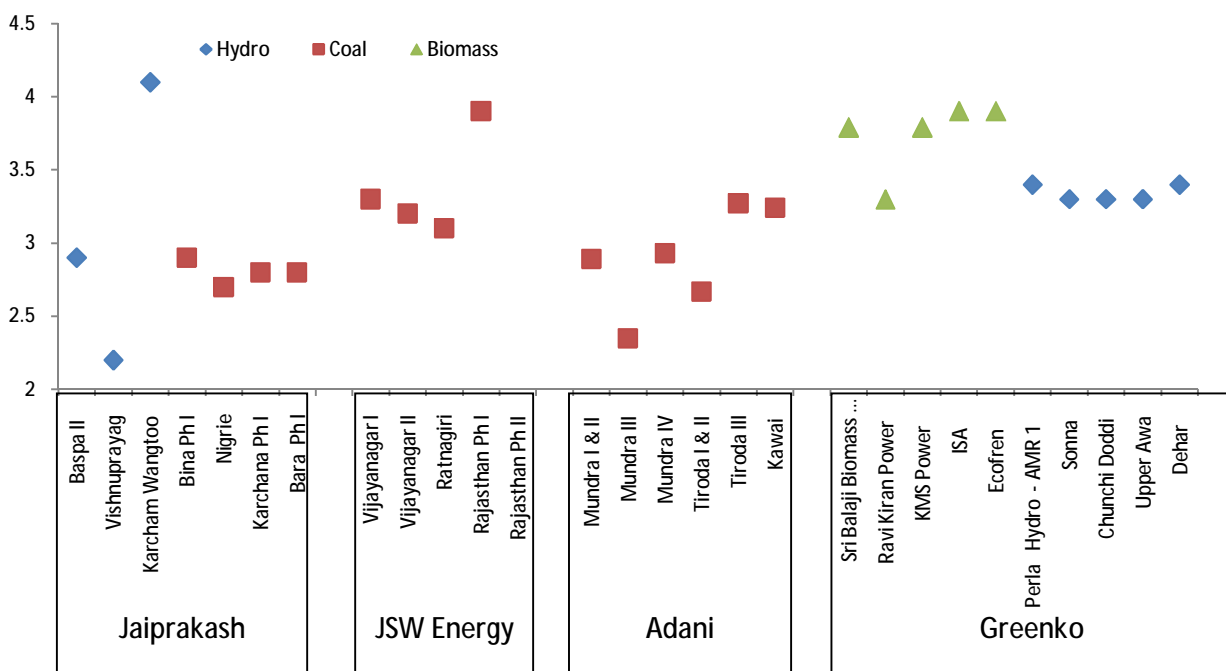
Greenko sees two additional carbon opportunities as well

In addition to selling to end-users in the mandatory market, the company sees other carbon opportunities: i. voluntary market sales: Greenko has begun to develop its strategies for selling into the voluntary market by the registration of projects outside the EU ETS market. Management believes that this will be a fast growing market, and ii. additional CER generation: the company believes that by providing a consulting service, based on their experience in project registration and certification, they will be able to generate tradable credits. Acting with local government or utilities they will manage the projects on their behalf. Examples of the sort of schemes could include animal waste methane recovery and methane avoidance in waste facilities.

e) Green premiums

Comparing Greenko's tariff structure (for regulated business) to other IPP, we noted that Greenko has secured premium prices. This is mainly due to i) Greenko's focus on RES-e projects, which benefit from premium prices over thermal projects and ii) recent re-negotiated PPA's (see above).

Figure 41. Overview of regulated tariffs for different players



Source: 7c Consult

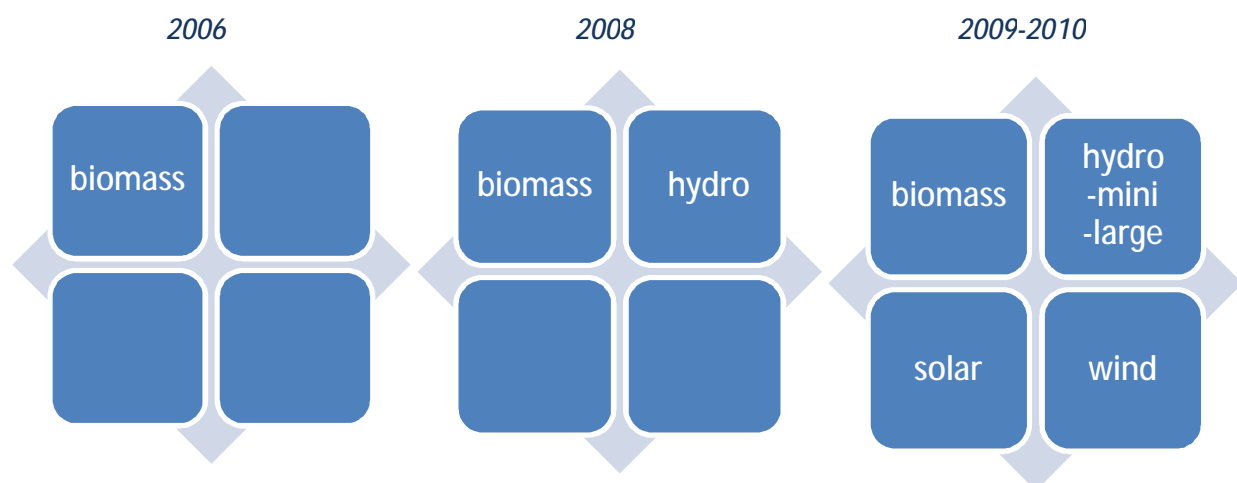
V.3 De-risked model.

Greenko has made important steps to de-risk its business model. Main elements are: i) multiple RES-e sources, ii) diversifying its geographical presence, iii) important part of output pre-sold at attractive merchant prices, and iv) fully financed 1,000MW target.

a) Multiple RES-e technologies

Greenko has implementing a phased approach regarding its presence across renewable technologies. The group originated as a pure biomass acquirer/operator and moved into small hydro projects afterwards. Recently, as the group reached a critical mass level together with larger financing available, Greenko widened its scope towards larger hydro projects (25MW up to 100MW) and is actively scouting projects for wind and solar.

Figure 42. Greenko's phased RES-e approach



Source: 7c Consult

The diversified approach limits Greenko's exposure towards RES-e specific issues, such as weather conditions, biomass supply.

b) Geographical spread

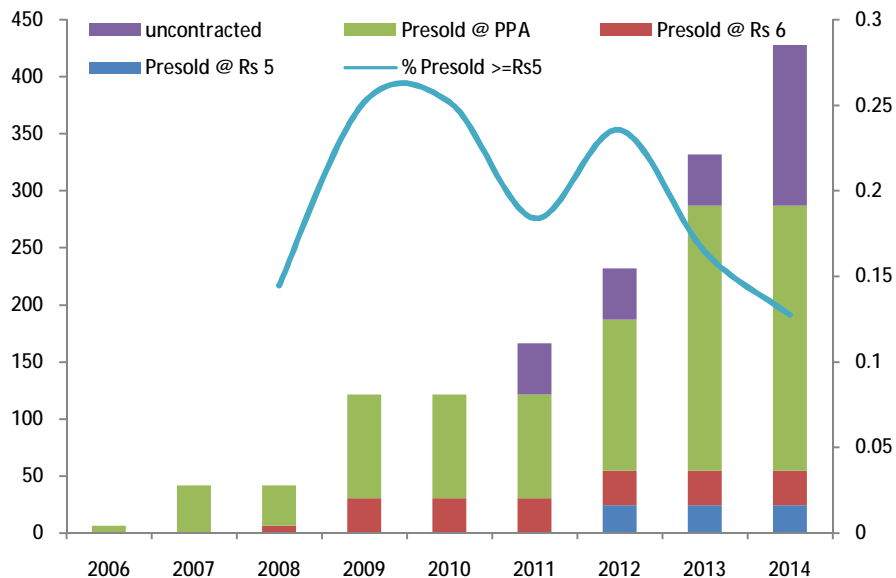
Through its presence in currently five states, Greenko has reduced its dependency on regulatory support in individual states. In addition this also reduces its exposure on local weather conditions for hydro and wind.

c) Important part of its production already pre-sold

Thanks to several deals with PTC and the PPA with regional SEB (State Electricity Board), Greenko has been able pre-sell a significant part of its output. On 2014 capacity (estimated at 428MW), Greenko has presold almost 44% of its total capacity. The uncontracted MW refer to the assets which are expected to be

marketed under merchant markets, but for which no deal (with PTC or industrial customers) has been signed yet.

Figure 43. large part of its output already secured at high merchant prices



Source: 7c Consult

PTC deals lock in high merchant market prices, up to 10 years, at prices well above our merchant prices estimates

More importantly, thanks to several deals with PTC (in June 2008 for the 6MW Roshini biomass and 24MW Shamburo Rithwik hydro asset and in Nov'09 for the Paudital 24MW hydro in Himachal Pradesh), Greenko has been able to lock high pricing levels of the merchant market at respectively Rs6/kWh and Rs5/kWh. These deals represent 11% of installed base in 2014, measured in % of sales, this should be close to 20%.

d) Visible growth map and financed

Thanks to several acquisition and Greenfield developments Greenko has secured a late-stage development pipeline of 362MW, which will bring installed capacity well above the initial target of 400MW. Together with acquisition targets of 426MW and the current installed base, this will bring Greenko close to its revised target of 1,000MW by March '15.

Figure 44: Overview of pipeline portfolio (L: Licenced; C: under construction)

| Project Name | Status | source | MW | MWh | CER | UNFCC | CoD | load h | capex €m | tariff Rs/kWh |
|-----------------------------|--------|---------|------|---------|---------|-------|--------|--------|-------------|------------------|
| Dikchu- Sikkim | L | Hydro | 96.0 | 462,528 | 383,875 | | jan/14 | 4,818 | 83 | 5 |
| Paudital_lassa, Himachal | L | Hydro | 24.0 | 137,500 | 114,000 | | jun/12 | 5,729 | 24 | 5 |
| Joladadag | L | Hydro | 16.0 | 44,800 | 34,124 | | jun/12 | 2,800 | 16 | 3.4 |
| Kallur | L | Hydro | 16.0 | 44,900 | 31,396 | | aug/11 | 2,806 | 16 | 5 |
| Shanmuk Subramanya - AMR | L | Hydro | 15.0 | 32,900 | 25,004 | | jun/11 | 2,193 | 15 | 3.3 |
| Ullipu Stage 1 | L | Hydro | 12.5 | 39,400 | 29,944 | | okt/11 | 3,152 | 11 | 5 |
| Ullipu Stage 2 | C | Hydro | 10.3 | 32,308 | 24,538 | | okt/11 | 3,152 | 9 | 5 |
| Jeori, Himachal Pradest | L | Hydro | 5.0 | 26,300 | 21,829 | | sep/11 | 5,260 | 5 | 3.4 |
| Jeori II , Himachal Pradest | L | Hydro | 5.0 | 26,300 | 21,829 | | mrt/12 | 5,260 | 5 | 3.4 |
| Cauveri River 1 | L | Hydro | 25.0 | 87,600 | 60,040 | | mrt/13 | 3,504 | 23 | 5 |
| Cauveri River 2 | L | Hydro | 25.0 | 87,600 | 60,040 | | mrt/13 | 3,504 | 23 | 5 |
| Cauveri River 3 | L | Hydro | 25.0 | 87,600 | 60,040 | | mrt/13 | 3,504 | 23 | 5 |
| Cauveri River 4 | L | Hydro | 25.0 | 87,600 | 60,040 | | mrt/13 | 3,504 | 23 | 5 |
| Visveshwara | L | Biomass | 12.0 | 85,600 | 65,056 | | okt/11 | 7,133 | 10.8 | 3.3 |

Source: Company data, 7c Consult

More important from a risk prospective, is the fact that with the latest financial transactions, Greenko has secured financial means to support its 1,000MW target. This is evidenced in the figure below (based on our assumptions). To be on the safe side, we have assumed that acquisitions would be priced at a premium to own developments.

Figure 45. Financing is in place to reach the 1,000MW target by March'15 (in €m)

| CASH IN | | CASH OUTS | | | | |
|--|------------|------------|-----------------------|-----|------|-------------|
| Current cash 30/09/2009 | 11 | €m | projects | MW | €/MW | Debt/Equity |
| + debt refinancing | 41 | 87 | dvlp pipeline | 306 | 1 | 70% |
| + GEF capital increase Sept '09 | 33 | | | | | |
| + TPG/capital increase Feb'10 | 83 | 198 | acquisitions | 570 | 1.2 | 70% |
| =Current available cash | 168 | | | | | |
| future cash flow from operations up to 2015 | 115 | | | | | |
| @ €23m EBITDA /year from installed base of 121MW | | | | | | |
| Total cash IN | 282 | 285 | Total Cash OUT | | | |

Source: 7c Consult

V.4 Green pure play.

Greenko is uniquely positioned in the Indian IPP market, through its focus on RES-e projects. As such Greenko can capture premium prices, further moving towards a zero fuel cost strategy, without any availability strings.

a) RES-e tariffs and RE certificates for green projects

We already briefly touched upon the premium valuation for RES-e projects vs thermal projects. In the figure below, we have summarized the RES-e tariffs in some states for Wind, small Hydro and Biomass.

Figure 46. Overview of RES-e tariffs in India

| State | Wheeling | Banking | Wind tariff | Hydro | Biomass |
|------------------|--|---|--|--------------|---|
| Andhra Pradesh | 5 % of energy wheeled | Not allowed | Rs. 3.50/perKWh w.e.f. 09.09.2008 (frozen for 10 years) | 2.69 (04-05) | 2.63 (05-06) (Esc @ 1% for 5 yrs) |
| Tamil Nadu | 5% of Energy | 5% (12 months financial year April to March) | Rs. 3.39/ per KWh (No Escalation) | -- | 2.73 (2000-01)* (Esc @ 5 % for 9 yrs) |
| Karnataka | 5% of Energy | Allowed @ 2% of energy Input | Rs. 3.40/ per KWh without any escalation for 10 years of | 2.9 | 2.74 for Cogen and 2.88 for Biomass (Esc @1% for 10 yrs for |
| Kerala | To be decided by SERC | To be decided by SERC | Rs. 3.14/ KWh for 20 years | | 2.80 (2000-01) (Esc @ 5% for 5 yrs) |
| West Bengal | 7.5% . of energy fed of grid | | Rs. 4/ KWh | | |
| Gujarat | 4% of energy | Settlement to be done month to month & surplus energy at end | Rs. 3.50/KWh for 20 years | -- | 3.00 (No escalation) |
| Madhya Pradesh | 2% of Energy | Allowed, but proposal for this invited from DISCOM | Ye Year wise rates (Rs./kWh) from 1st to 20th year 1st yr- 4.03 | 2.25 | 3.33-5.14 (Esc @ 0.03-0.08 for 20 yrs) |
| Maharashtra | 2% of Energy + 5% as T&D Loss | 12 Months | Rs. 3.50/KWh (first year of commissioning) (Escalation of 15 paise | 2.25 (99-00) | 3.05 for Cogen and 3.04-3.43 for biomass (Esc @ 1% for 12 yrs) |
| Rajasthan | 50% of normal charge as applicable for 33 KV | Six Months (Apr. to Sept. 8 Oct. to March. Utilization of banking | Rs. 4.2S/ KWh for Jaisalmer, Barmer 8 Jodhpur. Rs. 4.50/KWh | 2.75 (98-99) | 3.60-3.96 (Water-air cooled) |
| Haryana | | | | 2.25 (94-95) | 4.00 for Biomass and 3.74 for Cogen (Esc @ 2% for base 2007-08) |
| Himachal Pradesh | | | | 2.5 | -- |
| Chhatisgarh | | | | -- | 2.71 (05-06) |
| Punjab | | | | 2.73 (98-99) | 3.01 (01-02) (Esc @ 3% for 5 yrs limited to 2.48) |

Source: IWP, MNRE, 7c Consult

As a result of the recent regulation (Jan '10), RES-e operators will be able to opt for a de-coupling of the tariff. The rules stipulate clean energy producers either sell their electricity at a preferential tariff fixed (see above) or sell the electricity

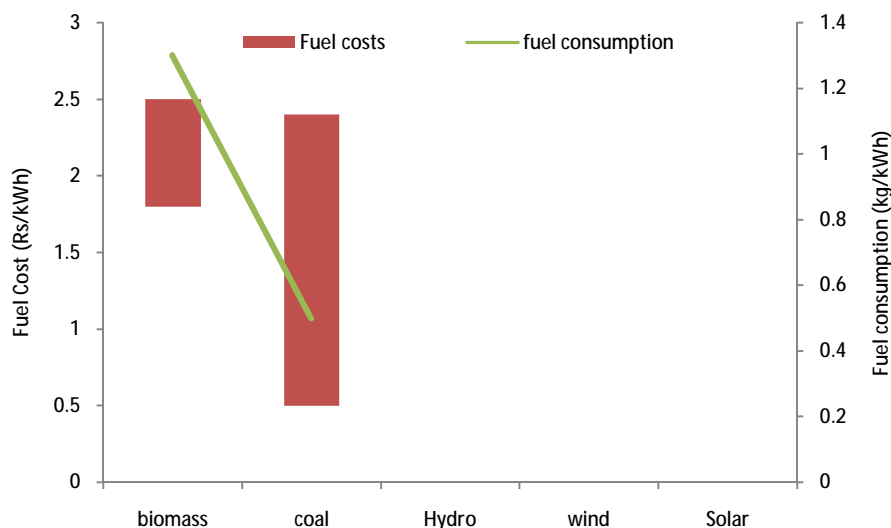
generation and environmental attributes associated with renewable power separately. The REC will be exchanged only in the power exchanges approved by CERC within the band of a floor price and a cap price to be determined by Central Commission from time to time. Failure to comply with renewable purchase obligations (RPO) will attract 'regulatory charges' (penalty). The nature of these charges will be laid down by the respective State Electricity Regulatory Commissions (SERC), but will be "based on the differential between the RPOs prescribed by the SERCs and the commitments met by the entity"

b) Moving towards zero fuel costs

Thanks to Greenko's diversification into other RES-e sources (other than biomass), Greenko will further move towards a zero fuel cost approach. As indicated in our initiating coverage note, we considered fuel costs (and supply-see below) an important element. However, as Greenko has moved towards a hydro-centric model, this is no longer material in the overall picture.

In the figure below, we have visualized the fuel costs and fuel consumption for different fuels. The costs of coal varies a lot depending on whether is involves i) imported coal, ii) captive coal or iii) coal linkage. Fuel consumption for coal can vary widely depending on gross caloric value.

Figure 47. Comparing fuel costs and consumption for different fuel sources



Source: 7c Consult

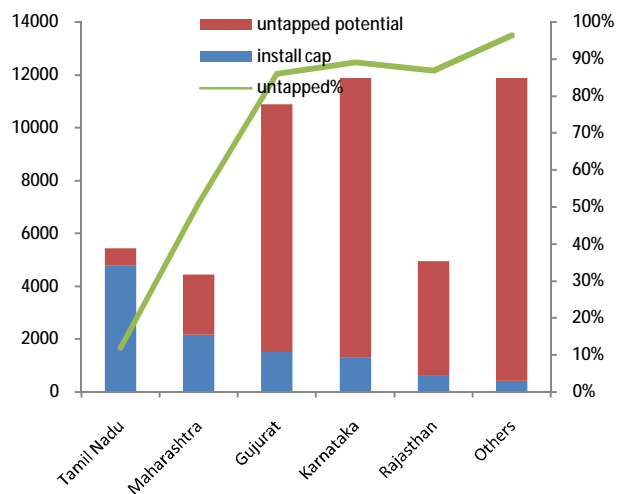
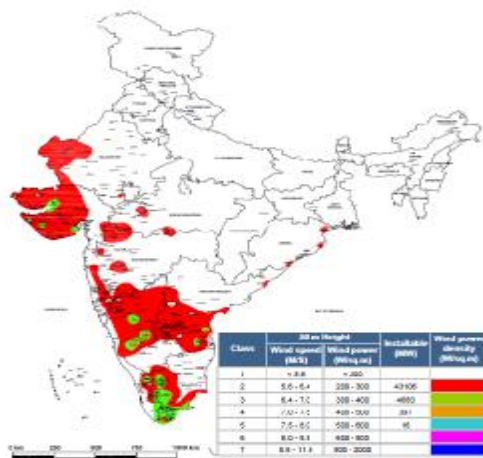
c) With no availability strings, addressing the country's energy security issue
In addition to costs, availability is another key element to consider. While a number of thermal installations are facing supply issues (India's coal imports for power production are likely to rise to 48m tons in FY10-11, sharply higher than the expected imports of 28mt for FY09-10), free availability of RES-e sources also responds to India's energy security issues, especially in a country which is expected to import over 30% of it fuel consumption by 2017.

We will briefly touch upon the availability for wind, solar, hydro and biomass.

q Wind The total potential for wind power in India has been estimated at ~45 GW by CWET (although we have seen other references which point towards 100GW). The 45GW potential should be compared to currents installed base of ~11GW. Taking into account expected growth rates, we would expect that by the end of 13th plan, the 45GW potential could be covered. Looking into the regional split, Tamil Nadu is India's wind epicenter, representing close to 44% of the total installed base. We would see plenty of opportunities in Gujurat and Karnataka, where only a very limited percentage of the total potential is already captured.

Figure 48. India's wind map

& where to go

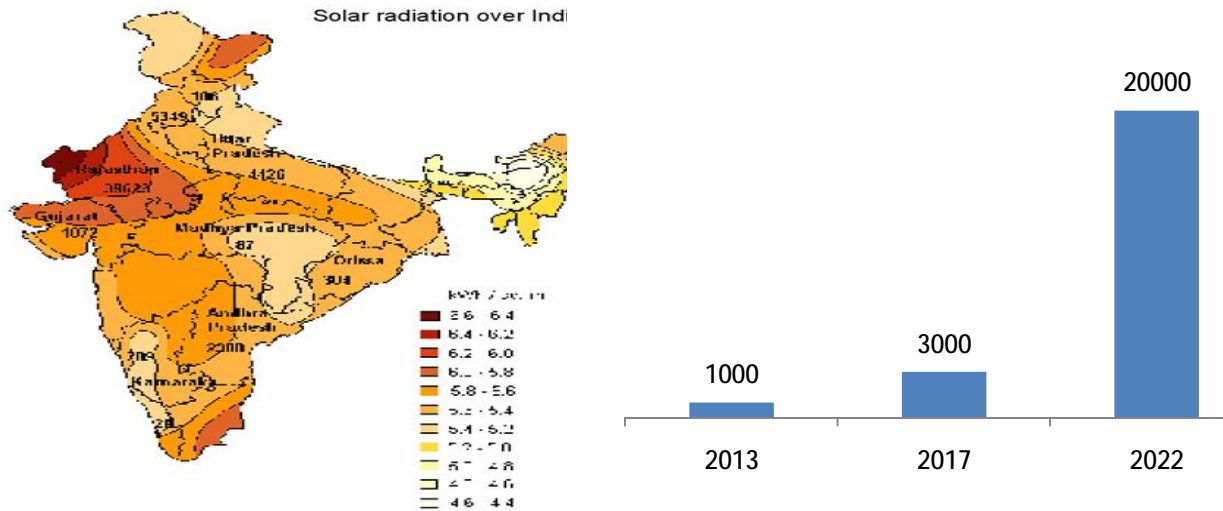


Source: 7c Consult

q Solar Firstly, we highlight India's benign solar irradiation. India's high solar irradiation of 4 to 7 kWh/m² translates into 2,300 to 3,200 operating hours (compared to 1,100 operating hours for Germany). India has announced in 2009 a very ambitious solar program (in 2006 estimates, solar was hardly included), aiming for 1,000MW to 2013 and adding another 3,000MW by 2017. This total potential installed capacity could be more than doubled to 10 GW or more by 2017 based on enhanced and enabled international finance and technology transfer,

according to the Ministry for New and Renewable Energy (MNES). By 2022, the target has ambitiously been set at 20 GW. Grid parity with cheap coal-fired thermal power is anticipated by 2030.

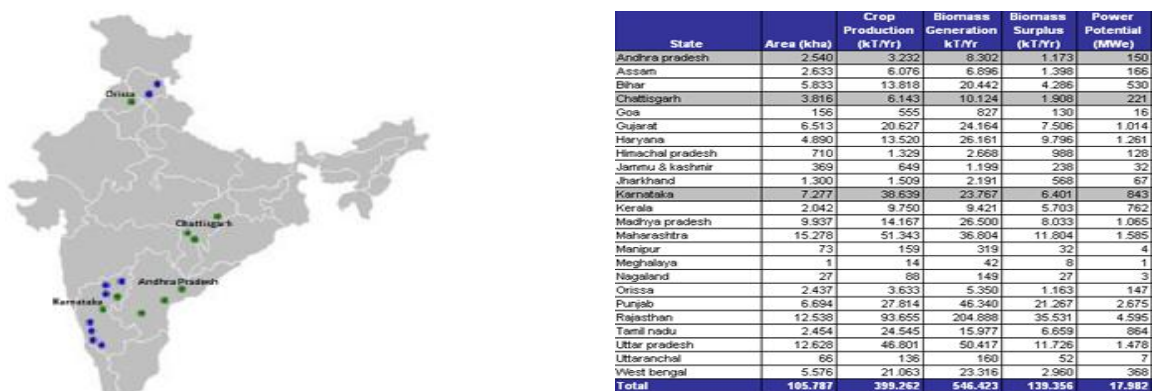
Figure 49. India's solar map & total solar targets



Source: 7c Consult

q Biomass A cumulative capacity of 1,140 MW including bagasse cogeneration, was installed for generation of power from biomass, till Jan'10. A target for addition of 1,700 MW capacity, consisting of 500 MW of biomass power projects and 1,200 MW of bagasse cogeneration projects has been proposed during XIth plan period i.e. up to 2012. This compares to a cumulative biomass power potential of about 18,000 MWe from the surplus agro residues, as estimated by the National Biomass Resource Atlas. In addition, a potential of 5,000 MW of surplus power generation through optimum bagasse based cogeneration has been estimated in the existing sugar mills of the country.

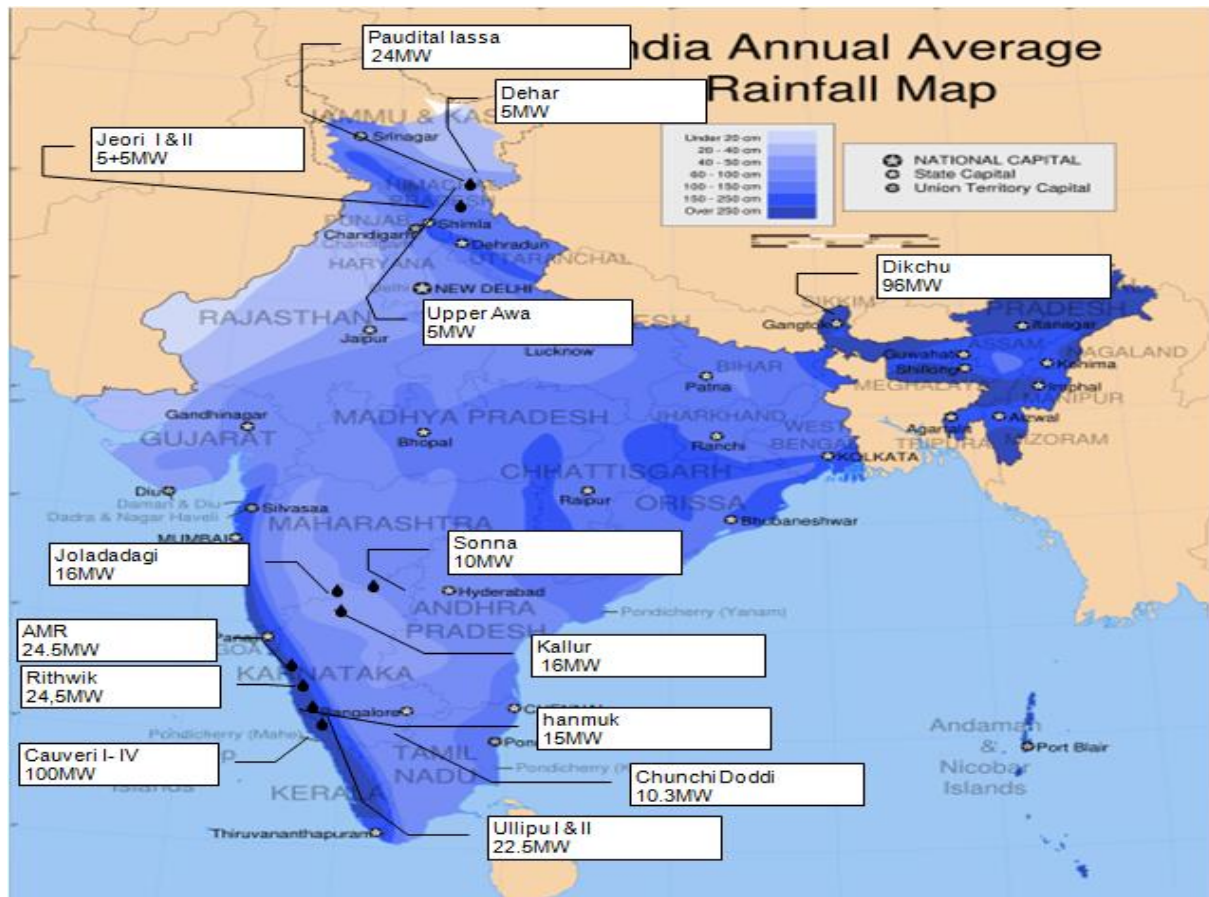
Figure 50. Greenko's biomass map & potential per states



Source: 7c Consult

q Hydro A In order to get a clear view on the quality of Greenko’s hydro portfolio in India, we plotted its hydro asset into India’s precipitation map. This map highlights that Greenko’s projects (under construction, concession secured) are mainly located in area’s with fairly reasonable rain conditions (with only Kallur and Joladadagi in weaker rain area’s). We believe the development pipeline (in Karnataka, Sikkim) has similar rain conditions as Greenko’s current portfolio.

Figure 51 Mapping Greenko’s hydro assets on India’s rainfall map



Source: 7c Consult

While Greenko is not present in the highest rain areas (such as Arunachal Pradesh), this is accordingly reflected into our operating hours assumptions. While typically hydro assets in the north eastern areas (Sikkim, Arunachal Pradesh) yield operating hours of around 4,500h, our operating hours assumptions vary from 3,000h (for Karnataka) to 2,300h (for Kallur and Joladadagi). We believe this correctly reflects the hydro quality of Greenko’s hydro assets.

IV VALUATION UPSIDE INTACT

VII.1 SoTP value above £2.5/share

We show our SoTP valuation for Greenko by assuming 100% pre-discounted probability for concessioned assets. We however correct the probability rate by a timing factor to obtain a NPV corrected probability. Our SoTP calculation is based on 310MW (probability adjusted).

Figure 45. SoTP Greenko

| Project Name | Status | source | MW | P= | tariff | offtake | EV € m | capex € m | EVA € m |
|---------------------------|--------------|--------|------------|------------|--------|----------|--------|-----------|--------------|
| Sri Balaji Biomass Power | operational | B | 6 | 100% | 3.8 | PPA | 7.6 | | 7.6 |
| Ravi Kiran Power | operational | B | 7.5 | 100% | 3.3 | PPA | 6.9 | | 6.9 |
| KMS Power | operational | B | 6 | 100% | 3.8 | PPA | 7.1 | | 7.1 |
| Roshini | operational | B | 6 | 100% | 6.0 | PTC | 14.5 | | 14.5 |
| ISA | operational | B | 8 | 100% | 3.9 | PPA | 12.0 | | 12.0 |
| Ecofren | operational | B | 8 | 100% | 3.9 | PPA | 12.0 | | 12.0 |
| Perla Hydro - AMR 1 | operational | H | 24.5 | 100% | 3.4 | PPA | 30.4 | | 30.4 |
| Shamburi Rithwik | operational | H | 24.5 | 100% | 6.0 | PTC | 49.1 | | 49.1 |
| Sonna | operational | H | 10.5 | 100% | 3.3 | PPA | 11.5 | | 11.5 |
| Chunchi Doddi | operational | H | 10.25 | 100% | 3.3 | PPA | 12.9 | | 12.9 |
| Upper Awa | operational | H | 5 | 100% | 3.3 | PPA | 8.1 | | 8.1 |
| Dehar | operational | H | 5 | 100% | 3.4 | PPA | 9.2 | | 9.2 |
| Dikchu- Sikkim | licenced | H | 96 | 52% | 3.4 | Merchant | 78.3 | 39.0 | 39.3 |
| Paudital_ Jassa, Himachal | licenced | H | 24 | 68% | 3.9 | PTC | 37.1 | 15.9 | 21.2 |
| Joladadagi | licenced | H | 16 | 68% | 3.9 | merchant | 12.9 | 8.6 | 4.3 |
| Kallur | licenced | H | 16 | 79% | 3.9 | PTC | 12.8 | 8.4 | 4.4 |
| Shanmuk Subramanya | licenced | H | 15 | 81% | 3.4 | PPA | 9.1 | 5.6 | 3.4 |
| Ullipu Stage 1 | constructing | H | 12.5 | 77% | 3.4 | PTC | 11.5 | 8.4 | 3.1 |
| Ullipu Stage 2 | licenced | H | 10.25 | 77% | 3.4 | PTC | 9.4 | 6.9 | 2.5 |
| Jeori, HP | licenced | H | 5 | 78% | 2.9 | PPA | 5.8 | 3.4 | 2.3 |
| Jeori II , HP | licenced | H | 5 | 71% | 2.9 | PPA | 5.6 | 3.4 | 2.2 |
| Cauveri River 1 | licenced | H | 25 | 60% | 3.4 | PPA | 38.2 | 24.0 | 14.2 |
| Cauveri River 2 | licenced | H | 25 | 60% | 3.4 | PPA | 57.3 | 36.0 | 21.3 |
| Cauveri River 3 | licenced | H | 25 | 60% | 3.4 | PPA | 76.4 | 48.0 | 28.5 |
| Cauveri River 4 | licenced | H | 25 | 60% | 3.4 | PPA | 95.5 | 59.9 | 35.6 |
| Visveshwara | licenced | B | 12 | 77% | 3.4 | Merchant | 10.1 | 8.3 | 1.7 |
| Total | | | 428 | 310 | | | | | 365.6 |

Source: 7c Consult IR

The calculation of the EV/project is based on our generic model in which we incorporated different tariffs, load factors, fuel costs and O&M costs, specific for the different assets. For all projects with signed PTC deal, we have incorporated the merchant price, for other projects, which management expects to market under merchant market but for which no deal is yet signed we have assumed PPA

alike prices, to be conservative. Obviously this provides additional upside to our PT.

The total value of the operating assets, assets under construction and the concessioned assets yields a total value of €365.6m. Corrected for the current net debt of €39.4m and new cash raised (fully diluted), we calculated a total equity value of €440.5. This comes down to £2.52/share vs the current share price of £1.60.

Figure 46: Development pipeline at the time of IPO

| | total Value | comment |
|-----------------|-------------|--|
| Total asset | 365.6 | SoTP summation |
| net debt | 39.4 | |
| new cash raised | 114.2 | Sept'09 + Jan'10 capital deals |
| total equity | 440.5 | |
| # shares | 148.4 | fully diluted, assuming conversion FEB |
| £/share | 2.52 | |

Source: 7c Consult

Compared to our previous target of £1.37/share, this might seem as quite a jump. Yet one should consider the following elements:

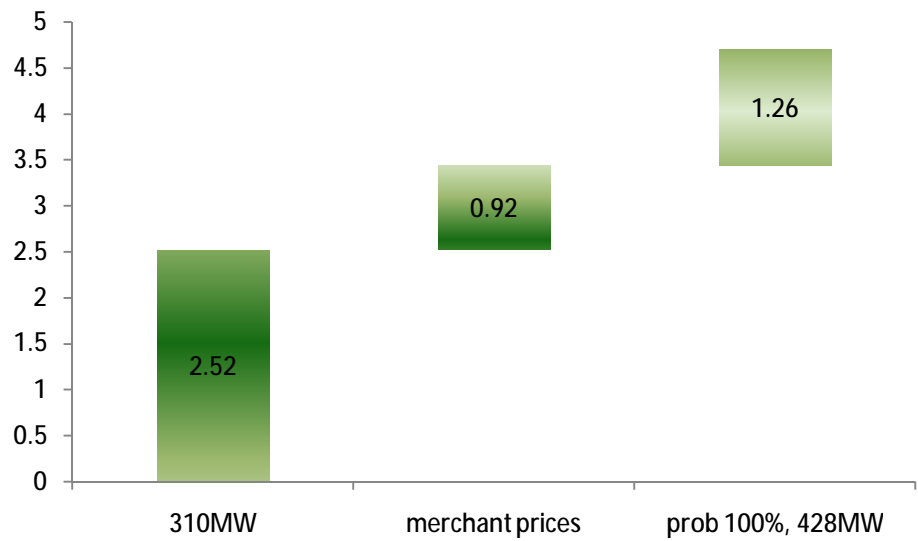
- q *Additional 62MW merchant secured* Our current PT is based on 92MW to be marketed under merchant markets, compared to 30MW previously. Bear in mind that we only considered the merchant market tariffs for those projects, for which effectively a PPA with PTC at merchant tariffs has been concluded.
- q *Secured almost €114m in cash* at prices of £1.4, above our previous PT.

Scenario-analysis shows upside to £4.7/share

To give additional visibility into our price target we assessed the impact of following scenario's : i) assuming Greenko would effectively for all its targeted merchant market projects conclude deals with PTC, ii) assuming 100% execution on the current development pipeline , implying a 100% probability rate.

The impact of these scenarios are plotted in the figure below: Assuming Greenko would realize its full pipeline (484MW) with all merchant plants contracted at rs5/kWh would boost our fair value to £4.7/share.

Figure 47. Scenario analysis on TP



Source: 7c Consult

Bear in mind that the above calculation to not consider any value creation on likely acquisitions , which Greenko would need to reach its target of 1,000MW by 2015.

IX. FINANCIALS

IX.1. H1'2010 results

Greenko reported H1'10 sales (ending Sept '09) of €8.6m, a 29% increase on the previous year (€6.6m H1'09). Electricity sales increased 30% to €7.8m thanks to increased PLF (up 15%), PPA tariff increases (up 19%) and increased exposure to merchant tariff (which represented about 18% of total volume). CERs sales were up on higher volumes (101,250 CERs traded).

First effect of capacity growth visible in FY'08 results

Figure 56. H1'10 Results (ending Sept '09)

| € m | March 08 | H1'09 | H2'09 | March 09 | H1'10 |
|-----------------------------|----------|--------|-------|----------|---------|
| MW | 41.5 | 41.5 | 41.5 | 41.5 | 41.5 |
| Revenues | 13.12 | 6.68 | 7.20 | 13.88 | 8.61 |
| __electr | 10.65 | 5.69 | 6.96 | 12.65 | 7.38 |
| __CER | 2.47 | 0.99 | 0.24 | 1.23 | 1.23 |
| __CER Sold | | 77,006 | | | 101,250 |
| __CER in stock | | | | | 120,907 |
| Cost of goods | 6.21 | 3.68 | 3.22 | 6.89 | 4.40 |
| Personal expenses | 0.44 | 0.35 | 1.02 | 1.37 | 0.97 |
| Other operating expenses | 1.37 | 0.72 | 0.48 | 1.20 | 0.56 |
| Other operating income | 0.00 | 0.00 | 0.44 | 0.44 | 0.02 |
| EBITDA | 5.11 | 1.94 | 2.92 | 4.86 | 2.69 |
| EBITDA margin | 39% | 29% | 41% | 35% | 31% |
| __Excess of groups interest | 0.00 | 0.00 | -1.80 | -1.80 | 0.00 |
| __Depreciation and | 0.91 | 0.74 | 0.78 | 1.52 | 0.75 |
| __share based expenses | 0.00 | 0.28 | 0.31 | 0.59 | 0.00 |
| EBIT | 4.20 | 0.91 | 3.63 | 4.55 | 1.95 |
| __Ebit margin | 32% | 14% | 50% | 33% | 23% |
| Net finance result | -1.38 | -0.48 | -0.90 | -1.38 | -0.81 |
| Income before tax | 2.82 | 0.44 | 2.73 | 3.17 | 1.14 |
| Income tax | 0.32 | 0.16 | 0.34 | 0.51 | 0.36 |
| __tax rate | 11% | 37% | 12% | 16% | 32% |
| Net income | 2.51 | 0.27 | 0.00 | 2.67 | 0.77 |
| EPSbasic in €cts | 3.69 | 0.00 | 0.00 | 3.92 | 1.14 |
| EBITDA/MW | 123,125 | | | 117,084 | 64,892 |

Source: Greenko

EBITDA, a key performance indicator for Greenko, was €2.7m vs €1.9m in H1'09. Bottom line result came in at €0.8m, yielding a basic EPS of €1.14.

Calculated per MW (end of period), Greenko obtained an EBITDA/MW of € 64,892/MW. We believe higher exposure to merchant tariffs should further increase these ratios.

IX.2 focus on FY'11 results as indicator for past valuation creation

P&L: sales to double into FY'11

In line with previous updates, we only consider the current installed of 121MW going forward. While we acknowledge this is an atypical approach in our coverage, we believe the significant acquisition targets, which will render forward provisions meaningless, justifies this approach

While the 79.7MW hydro assets started operations in current fiscal year (up to March '10), their impact on this year P&L will be limited, we are only banking on €1.2m. This is basically due to the fact that the hydro assets Perla, Shamburi and Sonna missed this year monsoon season, whereas, Chunchi Doddi, Dehar and Upper Awa were only acquired in January'10.

Figure 43. Sales to double into FY'11, despite no MW adds in 2011.

| | March 08 | March 09 | March 10 | March 11 | March 12 |
|-----------------|-------------|-------------|-------------|-------------|-------------|
| MW | 42 | 42 | 121 | 121 | 166 |
| _MW adjusted | 27 | 42 | 63 | 121 | 121 |
| MW biomass | 41.5 | 41.5 | 41.5 | 41.5 | 53.5 |
| MW wind | 0 | 0 | 0 | 0 | 0 |
| MW hydro | 0 | 0 | 79.7 | 79.75 | 112.5 |
| Revenues | 13.1 | 13.9 | 22.9 | 41.9 | 52.2 |
| __electr | 10.7 | 17.3 | 20.2 | 37.9 | 46.1 |
| __Biomass | | 17.3 | 19.0 | 19.2 | 23.3 |
| __Wind | | 0.0 | 0.0 | 0.0 | 0.0 |
| __Hydro | | 0.0 | 1.2 | 18.6 | 22.8 |
| __CER | 2.5 | 1.8 | 2.7 | 4.0 | 6.0 |

Source: 7c Consult

As the output for the Shamburi Rithwik project will be marketed into the merchant markets at minimum prices of Rs 6/kWh, this will have a material impact on sales. CERs sales should benefit from recent CER registration for AMR, Sonna and Rithwik.

EBITDA growth should strongly outpace the strong sales growth as the group should benefit from i) more (higher EBITDA generating) hydro assets within the portfolio and ii) EBITDA multiplication effect on merchant prices. We expect Greenko to report FY'11 EBITDA of 24.8m, compared to €9.0m for FY'10 (ending March'10).

Figure 43. Full P&L up to 2012.

| € m | 2009A | 2010E | 2011E | 2012E |
|----------------------------|---------|---------|---------|---------|
| Revenues | 13.9 | 22.9 | 41.9 | 52.2 |
| EBITDA | 4.9 | 9.0 | 24.8 | 31.7 |
| DA | 1.5 | 2.7 | 4.5 | 6.2 |
| EBIT | 4.5 | 6.4 | 20.4 | 25.5 |
| Net finance result | -1.4 | -2.1 | -1.9 | -1.5 |
| Share in earnings of | 0.0 | 0.0 | 0.0 | 0.0 |
| Income before tax | 3.2 | 4.2 | 18.5 | 24.0 |
| Income tax | 0.5 | 1.4 | 5.9 | 7.7 |
| Net income | 2.7 | 2.9 | 12.6 | 16.4 |
| O/W attributable to equity | 2.7 | 2.9 | 12.6 | 16.4 |
| net income /MW adjusted | 63,452 | 45,741 | 104,085 | 135,063 |
| EBITDA/MW adjusted | 115,690 | 142,941 | 205,279 | 261,745 |

Source: 7c Consult

Below the EBITDA level, financial costs will increase significantly on the raising debt levels. We have assumed a cost of debt of 12%. The group should benefit from tax advantages over the first 10 years, resulting in a tax rate of 10%.

Cash flow:

Assuming no further MW growth, Greenko will generate strong cash flows, which we see at €17m (FFO). The capex of €27m in 2010 reflects the acquired 20MW operational asset and late stage 100MW pipeline.

Figure 43. Full P&L up to 2012.

| € m | 2009A | 2010E | 2011E | 2012E |
|-----------------------------|--------------|--------------|-------------|--------------|
| = FFO | 4.7 | 8.9 | 17.0 | 22.6 |
| + Change in w/c | -5.7 | -5.0 | -0.7 | -4.3 |
| = Net cash flow from | -1.0 | 3.9 | 16.3 | 18.2 |
| - Capex | -10.1 | -27.2 | 0.0 | -43.6 |
| - Acquisitions (Disposals) | -1.6 | -1.6 | 0.0 | 0.0 |
| =Cash flow from | -20.8 | -34.3 | 0.0 | -43.6 |
| = Free cash flow | -21.8 | -30.4 | 16.3 | -25.3 |
| + Capital increase | 0.0 | 115.3 | 0.0 | 0.0 |
| - Dividends | 0.0 | 0.0 | 0.0 | 0.0 |
| + Change in financial | 3.9 | 25.2 | -2.0 | 26.9 |
| =Cash from financing | 2.3 | 139.4 | -2.0 | 26.9 |
| Change in cash | -19.5 | 109.0 | 14.3 | 1.6 |
| Cash (BS) | 3.7 | 112.6 | 126.8 | 128.4 |

Source: 7c Consult

IX.3. Financial statements

| P&L (€m) | March 08 | March 09 | March 10 | March 11 | March 12 |
|--------------------|----------|----------|----------|----------|----------|
| Revenues | 13.1 | 13.9 | 22.9 | 41.9 | 52.2 |
| EBITDA | 5.1 | 4.9 | 9.0 | 24.8 | 31.7 |
| D&A | 0.9 | 1.5 | 2.7 | 4.5 | 6.2 |
| EBIT | 4.2 | 4.5 | 6.4 | 20.4 | 25.5 |
| Net finance result | -1.4 | -1.4 | -2.1 | -1.9 | -1.5 |
| Income before tax | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Income tax | 2.8 | 3.2 | 4.2 | 18.5 | 24.0 |
| Net income | 0.3 | 0.5 | 1.4 | 5.9 | 7.7 |

| Cash flows (€m) | March 08 | March 09 | March 10 | March 11 | March 12 |
|----------------------------|--------------|--------------|--------------|-------------|--------------|
| CF from operations | -1.2 | -1.0 | 3.9 | 16.3 | 18.2 |
| - Capex | -5.7 | -10.1 | -27.2 | 0.0 | -43.6 |
| - Acquisitions (Disposals) | -18.4 | -1.6 | -1.6 | 0.0 | 0.0 |
| =Cash flow from investing | -23.3 | -20.8 | -34.3 | 0.0 | -43.6 |
| = Free cash flow | -24.5 | -21.8 | -30.4 | 16.3 | -25.3 |
| + Capital increase | 52.9 | 0.0 | 115.3 | 0.0 | 0.0 |
| - Dividends | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| + Change in fin. debt | -2.3 | 3.9 | 25.2 | -2.0 | 26.9 |
| =Cash from financing | 48.3 | 2.3 | 139.4 | -2.0 | 26.9 |
| Change in cash | 23.7 | -19.5 | 109.0 | 14.3 | 1.6 |

| Balance sheet (€m) | March 08 | March 09 | March 10 | March 11 | March 12 |
|-------------------------|--------------|--------------|--------------|--------------|--------------|
| Non-current assets | 68.5 | 79.4 | 102.3 | 97.8 | 135.2 |
| Current assets | 33.2 | 28.4 | 145.3 | 160.3 | 166.2 |
| o/w cash and equivalent | 23.4 | 3.7 | 112.6 | 126.8 | 128.4 |
| Total Assets | 101.7 | 107.8 | 247.6 | 258.1 | 301.4 |
| Equity | 56.4 | 56.5 | 172.7 | 185.3 | 201.7 |
| Non-current liabilities | 36.3 | 35.1 | 48.3 | 48.1 | 74.2 |
| Current liabilities | 9.0 | 16.4 | 24.5 | 24.7 | 25.5 |
| Net Debt | 15.8 | 39.4 | -45.9 | -62.2 | -36.9 |

| Ratios | March 08 | March 09 | March 10 | March 11 | March 12 |
|-----------------|----------|----------|----------|----------|----------|
| EBIT/Interest | 3.0 | 3.3 | 3.0 | 10.7 | 16.9 |
| Net debt/EBITDA | 3.1 | 8.1 | -5.1 | -2.5 | -1.2 |
| Net debt/Equity | 0.3 | 0.7 | -0.3 | -0.3 | -0.2 |
| ROE | 8% | 5% | 3% | 7% | 8% |
| ROCE | 5% | 4% | 3% | 11% | 11% |
| FFO/Net debt | 0.3 | 0.1 | -0.2 | -0.3 | -0.6 |

| Valuation | March 08 | March 09 | March 10 | March 11 | March 12 |
|-----------------------|----------|----------|----------|----------|----------|
| current price £/share | 1.15 | 0.95 | 1.55 | 1.55 | 1.55 |
| # shares | 68.0 | 68.0 | 68.0 | 148.4 | 148.4 |
| Market cap € m | 97.8 | 65.9 | 121.2 | 264.5 | 264.5 |
| EV | 113.6 | 105.3 | 75.3 | 202.2 | 227.5 |
| EV/Sales | 8.7 | 7.6 | 3.3 | 4.8 | 4.4 |
| EV/EBITDA | 22.2 | 21.7 | 8.3 | 8.1 | 7.2 |
| P/Book | 1.7 | 1.2 | 0.7 | 1.4 | 1.3 |
| P/E | 39.0 | 24.7 | 42.0 | 21.0 | 16.1 |

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