Results of Operations — Consolidated Financial Statements

Period From June 12, 2015 to March 31, 2016 Compared to Period From January 1, 2015 to November 20, 2015 Compared to Period From April 1, 2014 to December 31, 2014

Greenko Energy Holdings (the "Parent Guarantor" or the "Successor") was incorporated on June 12, 2015. The Parent Guarantor acquired all of the ordinary shares in Greenko Mauritius ("Greenko Mauritius" or the "Predecessor") held by Greenko Group plc on November 20, 2015 and also acquired all of the A exchangeable shares in Greenko Mauritius held by Cambourne Investments Private Limited, an affiliate of GIC, and all of the preference shares in Greenko Mauritius held by GEEMF III GK Holdings MU (collectively, the "Acquisition"). Prior to the Acquisition, the Parent Guarantor did not have any operations or assets. The operations of Greenko Mauritius are included in the consolidated financial statements of the Parent Guarantor from the date of the Acquisition. As such, the results of operations of the Successor for the period from June 12, 2015 to March 31, 2016 ("Fiscal 2016") are primarily attributable to Greenko Mauritius' operations from November 20, 2015 to March 31, 2016.

The Acquisition was accounted for as a purchase in accordance with IFRS 3 "Business Combination" which resulted in a new valuation of our assets and liabilities, based on their estimated fair value as of the date of the Acquisition. The consolidated financial statements of the Predecessor as of November 20, 2015 and for the period from January 1, 2015 to November 20, 2015 (the "11 Months ended November 2015") and as of December 31, 2014 and for the period from April 1, 2014 to December 31, 2014 (the "9 Months ended December 2014") reflect the "pre-acquisition" financial position, results of operations of the Predecessor prepared on the historical basis of accounting prior to the Acquisition.

Prior to the Acquisition, Greenko Mauritius' fiscal year ended December 31; however, in order to match the fiscal year of GIC, following the Acquisition, the Parent Guarantor adopted March 31 as its fiscal year end. In addition, in 2014, Greenko Group plc had changed its fiscal year (including the fiscal year of its subsidiaries) from a fiscal year ending March 31 to a fiscal year ending December 31. As a result of (a) the changes in fiscal years in 2014 following the Acquisition and (b) the Acquisition, including the revaluation of our assets and liabilities in connection therewith, the consolidated financial statements for the Successor and the Predecessor may not be comparable.

Unless otherwise specified or the context otherwise requires, "we", "us", "our" or words of similar import refers to the Successor following the Acquisition and the Predecessor prior to the Acquisition.

Revenue

Our revenue was US$27.2 million in Fiscal 2016, US$130.8 million in the 11 Months ended November 2015 and US$100.2 million in the 9 Months ended December 2014.

The tables below set forth the breakdown of our revenue for the indicated periods by type and asset class.

	Successor	Predecessor	
	For the period from June 12, 2015 to March 31, 2016	For the period from January 1, 2015 to November 20, 2015	For the period from April 1, 2014 to December 31, 2014
	(US$ in millions)	(US$ in millions)	
Sale of power	25.3	125.7	96.8
Sale of renewable energy certificates	0.8	0.8	0.3
Generation based Incentive	1.1	4.3	3.2
Installed capacity at beginning of period (MW)	952.1	715.3	491.0
Installed capacity at end of period (MW)	1,002.1	952.1	715.3
Generation (GWh)	505.7	2,079.3	1,564.5

	Successor	Predecessor	
	For the period from June 12, 2015 to March 31, 2016	For the period from January 1, 2015 to November 20, 2015	For the period from April 1, 2014 to December 31, 2014
	(US$ in millions)	(US$ in millions)	
Revenues from hydropower projects	5.4	45.8	37.4
Revenues from wind energy projects	19.3	79.1	57.5
Revenues from thermal projects	2.5	5.9	5.4
Total	**27.2**	**130.8**	**100.2**

Our sales of power was US$25.3 million in Fiscal 2016, US$125.7 million in the 11 Months ended November 2015 and US$96.8 million in the 9 Months ended December 2014. Generation was 505.7 GWh in Fiscal 2016, 2,079.3 GWh in the 11 Months ended November 2015 and 1,564.5 GWh in the 9 Months ended December 2014. The decrease in Fiscal 2016 was primarily due to the shorter period in Fiscal 2016 and the seasonality impact discussed below.

Our hydropower projects delivered an average PLF of 15.4% in Fiscal 2016, 42.6% in the 11 Months ended November 2015 and 46.9% in the 9 Months ended December 2014. The lower average PLF of our hydropower projects in Fiscal 2016 was primarily attributable to the fact that the period from November 20, 2015 (being the date from which the operations of Greenko Mauritius were included in the Successor's Fiscal 2016 financial statements) to March 31, 2016 did not fall within the monsoon season. Our hydropower projects in the southern cluster were also negatively impacted during the 11 Months ended November 2015 as a result of the total rainfall during the 2015 monsoon season being 14.0% lower than the average of the prior 50 monsoon seasons in India.

Wind conditions are generally tied to the monsoon season in India and are impacted by the strength of each particular monsoon season. The lower revenues from our wind energy projects in Fiscal 2016 were primarily attributable to the fact that the period from November 20, 2015 (being the date from which the operations of Greenko Mauritius were included in the Successor's FY2016 financial statements) to March 31, 2016 did not fall within the monsoon season. Our wind farms in the Andhra Pradesh cluster were also negatively impacted during the 11 Months ended November 2015 as a result of unfavorable wind conditions arising from the weak monsoon season in 2015. Begawadi Wind Farm, Vyshali Wind Farm and Tanot Wind Farm became commercially operational in December 2015, adding 254.0 MW of installed capacity and bringing the total installed capacity of our operational wind energy projects to 666.0 MW as of March 31, 2016. Rayalseema Wind Farm and Ananthpura Wind Farm became commercially operational in May 2015, adding 20.0 MW of installed capacity and bringing the total installed capacity of our operational wind energy projects to 412.0 MW as of November 20, 2015. Phase 2 of Ratnagiri Wind Farm, Phase 1B and Phase 2A of Rayala Wind Farm, Phase 1B of Fortune Five Wind Farm and Mangalore Wind Farm became commercially operational between March and July 2014, adding 201.0 MW of installed capacity and bringing the total installed capacity of our operational wind energy projects to 392.0 MW as of December 31, 2014.

Our thermal projects delivered an average PLF of 51.1% in Fiscal 2016, 48.8% in the 11 Months ended November 2015 and 55.7% in the 9 Months ended December 2014. We selectively run our biomass projects based on the availability of attractively-priced raw materials.

In addition, we recognized GBIs (Rs. 0.50/kWh capped at Rs.10 million per MW) for our wind energy projects pursuant to the GBI scheme which was reinstated in April 2013 and recorded revenue of US$1.1 million in Fiscal 2016, US$4.3 million in the 11 Months ended November 2015 and US$3.2 million in the 9 Months ended December 2014 therefrom.

Our sales of REC certificates was US$0.8 million in Fiscal 2016, US$0.8 million in the 11 Months ended November 2015 and US$0.3 million in the 9 Months ended December 2014. Our REC certificates recorded as inventories stayed relatively constant at US$1.3 million as of March 31, 2016, US$1.4 million as of November 2015 and US$1.1 million as of December 2014.

Other operating income

Other operating income was US$0.1 million in Fiscal 2016, US$0.3 million in the 11 Months ended November 2015 and US$0.1 million in the 9 Months ended December 2014.

Cost of material and power generation expenses

Cost of material and power generation expenses was US$6.4 million in Fiscal 2016, US$13.8 million in the 11 Months ended November 2015 and US$10.0 million in the 9 Months ended December 2014. Cost of material and power generation expenses was 23.5% of revenue in Fiscal 2016, 10.6% of revenue in the 11 Months ended November 2015 and 10.0% of revenue in the 9 Months ended December 2014. For fiscal year 2016 increase in power generation expenses was primarily due to increase in O & M expenses for Wind Projects payable after first two years of free O&M from vendors, while in view of non-wind season revenues are negligible, resulting into higher % of revenues.

Employee benefits expense

Employee benefits expense was US$4.0 million in Fiscal 2016, US$7.9 million in the 11 Months ended November 2015 and US$5.1 million in the 9 Months ended December 2014. The largest component of employee benefits expense was salaries and wages, which have generally increased period on period as a result of the increase in employee headcount in line with the growth of our business.

Depreciation and amortization

Depreciation and amortization was US$16.7 million in Fiscal 2016, US$29.6 million in the 11 Months ended November 2015 and US$21.3 million in the 9 Months ended December 2014, primarily due to an increase in plant, property and equipment as a result of our ongoing construction activity and implementation of new projects.

Exceptional items (net)

In the 9 Months ended December 2014, we recognized US$6.2 million of exceptional items (net). We recognized a gain on change in value of contingent consideration of US$17.2 million relating to our acquisition of Budhil in June 2014. The consideration payable to the seller of Budhil had included additional consideration payable upon the seller securing a lucrative long-term customer contract. As the seller failed to secure such customer contract within the stipulated period, the fair value of the additional consideration payable was considered as nil and recognized as a profit in our income statement. Such gain on change in value of contingent consideration was offset by loan restructuring costs of US$11.1 million which represent the cost of prepayment and amortized transaction costs on existing rupee bonds relating to the offering of the 2014 Notes.

Finance income

Finance income was US$0.6 million in Fiscal 2016, US$1.5 million in the 11 Months ended November 2015 and US$5.6 million in the 9 Months ended December 2014. Finance income in each of these periods was primarily due to interest on bank deposits. In addition, there was a foreign exchange gain on financing activities of US$3.9 million in the 9 Months ended December 2014 as a result of realized gain on foreign exchange transactions arising from the deployment of the 2014 Notes proceeds into rupee bonds issued by the 2014 Notes Subsidiaries.

Finance cost

Finance cost was US$31.6 million in Fiscal 2016, US$57.4 million in the 11 Months ended November 2015 and US$44.5 million in the 9 Months ended December 2014, which was primarily attributable to interest on our borrowings which increased to US$1,161.1 million as of March 31, 2016 from US$817.2 million as of December 31, 2014. We capitalized borrowing costs of US$15.7 million in Fiscal 2016, US$37.8 million in the 11 Months ended November 2015 and US$23.4 million in the 9 Months ended December 2014.

Profit/(loss) before tax

For the reasons discussed above, we incurred loss before tax of US$34.6 million in Fiscal 2016 compared to profit before tax of US$11.5 million in the 11 Months ended November 2015 and US$27.8 million in the 9 Months ended December 2014.

Income tax expense

Income tax expense was US$1.2 million in Fiscal 2016, US$8.2 million in the 11 Months ended November 2015 and US$8.0 million in the 9 Months ended December 2014.

Our subsidiaries in India which are engaged in power generation benefited from a tax holiday from the standard Indian corporate tax in Fiscal 2016, the 11 Months ended November 2015 and the 9 Months ended December 2014. The tax holiday period under the Indian Income Tax Act is for 10 consecutive tax assessment years out of a total of 15 consecutive tax assessment years from the tax assessment year in which commercial operations commenced. However, these subsidiaries are still liable to pay minimum alternate tax which is calculated on the book profits of the relevant subsidiary, the rate of which was 21.34%.

Profit/(loss) for the period

As a result of the foregoing, we incurred a loss of US$35.8 million in Fiscal 2016 compared to a profit of US$3.4 million in the 11 Months ended November 2015 and US$19.9 million in the 9 Months ended December 2014.

Liquidity and Capital Resources

Overview

As of March 31, 2016, our consolidated bank deposits were US$36.8 million and our cash and cash equivalents were US$71.8 million.

Our principal financing requirements are primarily for:

- construction and development of new projects;
- maintenance and operation of projects;
- funding our working capital needs;
- potential investments in new acquisitions; and
- general corporate purposes.

We fund our operations and capital requirements primarily through cash flows from operations and borrowings under credit facilities from banks and other financial institutions as well as equity raising at the Parent Guarantor and, in the past, Greenko Mauritius. We believe that our credit facilities, together with cash generated from our operations, cash from investment by our shareholders and a portion of the proceeds of the offering of the Notes hereby, will be sufficient to finance our working capital needs for the next 12 months. We expect that cash flow from operations and our credit facilities will continue to be our principal sources of cash in the medium term. However, there can be no assurance that additional financing will be available, or if available, that it will be available on terms acceptable to us.

We evaluate our funding requirements periodically in light of our net cash flow from operating activities, the progress of our various under-construction and under-active development projects, acquisition opportunities and market conditions. We expect to incur significant capital expenditures for the year ended March 31, 2017 as we develop and construct new projects and expand our operations.

Cash Flows

Our summarized statement of consolidated cash flows is set forth below:

	Successor	Predecessor	
	For the period from June 12, 2015 to March 31, 2016	**For the period from January 1, 2015 to November 20, 2015**	**For the period from April 1, 2014 to December 31, 2014**
	(US$ in millions)	**(US$ in millions)**	
Consolidated Cash Flow Statement			
Net cash from/(used in) operating activities	(2.7)	82.7	54.8
Net cash used in investing activities	(367.1)	(290.9)	(194.3)
Net cash from financing activities	442.2	182.2	205.1
Cash and cash equivalents at the beginning of the period	-	109.7	44.2
Cash and cash equivalents at the end of the period	71.8	75.6	109.7

Net cash from/(used in) operating activities

In Fiscal 2016, net cash used in operating activities of US$2.7 million was primarily attributable to (i) loss before tax of US$34.6 million and (ii) a US$13.7 million decrease in trade and other payables, offset in part by adjustments of US$16.7 million for depreciation and amortization and US$31.6 million for finance cost.

In the 11 Months ended November 2015, our net cash from operating activities of US$82.7 million was primarily attributable to (i) profit before tax of US$11.5 million, (ii) adjustments of US$29.6 million for depreciation and amortization and US$57.4 million for finance cost and (iii) a US$8.2 million increase in trade and other payables, offset in part by a US$20.0 million decrease in trade and other receivables.

In the 9 Months ended December 2014, our net cash from operating activities of US$54.8 million was primarily attributable to (i) profit before tax of US$27.8 million and (ii) adjustments of US$21.3 million for depreciation and amortization and US$44.5 million for finance cost, offset in part by a US$11.8 million decrease in trade and other receivables and a US$8.1 million decrease in trade and other payables.

Net cash used in investing activities

In Fiscal 2016, our net cash used in investing activities of US$367.1 million primarily consisted of (i) US$88.7 million in purchase of property, plant and equipment and capital expenditure primarily relating to our projects under construction or development and (ii) US$276.9 million in relation to the Acquisition.

In the 11 Months ended November 2015, our net cash used in investing activities of US$290.8 million primarily consisted of (i) US$277.5 million in purchase of property, plant and equipment and capital expenditure primarily relating to our projects under construction or development and (ii) US$12.6 million in the acquisition of business, net of cash and cash equivalents acquired, offset in part by interest received of US$1.5 million.

In the 9 Months ended December 2014, our net cash used in investing activities of US$194.3 million primarily consisted of (i) US$174.8 million in purchase of property, plant and equipment and capital expenditure primarily relating to our projects under construction or development, (ii) US$17.9 million in the acquisition of business, net of cash and cash equivalents acquired, (iii) US$1.2 million investment in mutual funds and (iv) US$1.1 million in bank deposits.

Net cash from financing activities

In Fiscal 2016, our net cash from financing activities of US$442.2 million was primarily attributable to US$433.5 million of proceeds from the issue of shares to our shareholders and US$68.3 million of proceeds from borrowings, offset in part by US$8.4 million in repayment of borrowings and US$51.3 million in interest paid.

In the 11 Months ended November 2015, our net cash from financing activities of US$182.1 million was primarily attributable to US$268.9 million of proceeds from borrowings, offset by US$13.6 million in repayment of borrowings and US$73.0 million in interest paid.

In the 9 Months ended December 2014, our net cash from financing activities of US$205.1 million was primarily attributable to US$786.5 million of proceeds from borrowings, including the 2014 Notes, offset in part by US$523.9 million in repayment of borrowings and US$56.3 million in interest paid.