BB+

ISSUER RATING

Long-term Rating

Outlook: Stable

First rating date: 16/10/2019

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Content

Executive Summary

Detailed below is the Executive Summary of the rating assigned by **axesor rating** to **GRENERGY RENOVABLES, S.A.** The rating granted reflects our assessment of the company's creditworthiness in the medium and long-term.

Rating rationale

Qualitative profile

- **Adequate competitive positioning derived from its track record and the portfolio of assets in development that it manages.**

  Grenergy Renovables, S.A. was founded in 2007 and soon after began evolving towards a business model integrated in the value chain of the renewable energy sector for Spain and Latin America. It currently has 170 MW built in Spain and Chile (138 MW currently in the construction phase) and has been listed on the Spanish Alternative Investment Market (MAB) since 2015. Its growth plans are positively supported by a portfolio of projects under development that reaches 4,127 MW in June 2019 (589 MW in the final phase or 'backlog'), an aspect that makes it a benchmark player, with a wide margin for growth in terms of its positioning in the market.

- **Specialist in the renewable energy sector with outstanding concentration in a competitive sector.**

  In its specialised activity as a developer and producer of renewable energy, the current progress of operations is marked by the high concentration of revenues in Chile with photovoltaic projects (99% of revenues in 2018) and the recovery of Spain as a relevant market for the coming years. The expected advances in the gradual incorporation of the wind segment (60 MW under construction), as well as the activity in other markets (Peru, Argentina, Colombia, Mexico), and the expected increase in the energy production business are all elements that improve the outlook for the diversification of the business.

Financial profile

- **Positive situation in its financial solvency as a previous step to the development of an important investment plan for growth.**

  In 2018, the company improved its forecasts in terms of results and cash flow generation, allowing for a significant reduction in debt and a reinforcement of liquidity. Thus, its Net Worth of 50% over total liabilities and a NFD/EBITDA ratio of 0.17x at the close of the last financial year marks a solid financial situation that reinforces the expected achievement of growth objectives and debt commitments. The advance during the first half of 2019 maintains the positive trend in the results under a situation of moderate indebtedness.

- **Business Plan in progress, based on important growth and investment milestones, with positive progress and perspective.**

  The ongoing Business Plan aspires to the final development and construction of 763 MW (24 MW in 2019 + 339 MW in 2020 + 400 MW in 2021), of which 350 MW will be earmarked for the resuming of the power generation activity and expanding the number of projects in the portfolio (5,000 MW).

  The financing of the growth is expected to be based on a mix of own resources (generated + capital increase), corporate financing and project debt, depending on the group's needs and opportunities. In this sense, in the short term the company is preparing both the move to the Continuous Market of the Spanish Stock Exchange and the registration of a bond program in the Spanish Alternative Fixed Income Market (MARF) that permits the issuance of debt in the capital market.

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Sources of information

The credit rating assigned in this report has been requested by the rated entity, which has also taken part in the process. It is based on private information as well as public information. The main sources of information are:

1. Annual Audit Reports.
2. Corporate Website.
3. All the information published in the Official Bulletins.
4. Rating book provided by the Company.

The information was thoroughly reviewed to ensure that it is valid and consistent, and is considered satisfactory. Nevertheless, Axesor Rating assumes no responsibility for the accuracy of the information and the conclusions drawn from it.

Additional information

- The rating was carried out in accordance with Regulation (EC) N°1060/2009 of the European Parliament and the Council of 16 September 2009, on credit rating agencies, and in accordance with the Corporate Rating Methodology and Outlook Methodology that can be consulted on www.axesor-rating.com/en/about-axesor/methodology and according to the Long-term Corporate Rating scale available at www.axesor-rating.com/en/about-axesor/rating-scale.
- Axesor publishes data on the historical default rates of the rating categories, which are located in the central statistics repository CEREP, of the European Securities and Markets Authority (ESMA).
- In accordance with Article 6 (2), in conjunction with Annex I, section B (4) of the Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009, it is reported that during the last 12 months axesor has not provided ancillary services to the rated entity or its related third parties.
- The issued credit rating has been notified to the rated entity, and has not been modified since.

Main figures

Consolidated financial figures

€thousands	2016	2017	2018	2018vs17
Adjusted revenues (1)	17,666	47,944	55,475	15.71%
EBITDA	-2,118	6,956	22,017	216.52%
% o/revenues	-	14.51%	39.69%	25.18 p.p
Net result	-3,036	3,513	13,279	278.03%
Total financial debt	21,375	24,269	17,068	-29.67%
Net financial debt	9,963	21,168	3.826	-81.93%
o/ EBITDA	-	3.04x	0.17x	-2.87x
Total Balance	50,305	57,497	58,285	1.37%
Net Equity	13,397	16,043	28,864	79.92%
o/ Balance	26.63%	27.90%	49.52%	21.62pp
Working Capital	8,496	13,783	19,883	44.26%
Financial expenses	-189	-1,974	-1,559	21.02%
o/ EBITDA	-	3.52x	14.12x	10.60x
Cash	11,412	3,101	13,243	327.08%
Operating Cash-flow	8,193	-14,762	14,503	198.24%
Free Cash-flow	-12,886	-8,064	17,479	316.75%
Net Cash-Flow generated	8,014	-6,104	10,166	266.54%

(1) includes income from the sale of assets and work performed for the fixed asset itself

Outlook

The current rating trend is **stable**. Our opinion determines that the rating granted reflects the current situation, as well as the expected outlook regarding to the credit quality of the Issuer.

GRENERGY is currently developing an important growth plan that, with adequate solvency, should lead the group towards a greater diversification of its business with an improved competitive positioning. Thus, the achievement of its medium-term objectives is valued as a potential situation for an improvement in the rating. On the contrary, the loss of financial solvency and/or the worsening of its competitive strength, derived from negative deviations in the planned objectives, would potentially be indicative of the lowering of its rating.

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1. Qualitative analysis

1.1. Profile and track record

"Company with a 12-year track record in the renewable energy industry under an integrated business model and presence in Spain and Latam"

GRENERGY RENOVABLES, S.A. and its subsidiaries (hereinafter GRENERGY) is a developer and Independent Power Producer ("IPP") from renewable sources.

The company, domiciled in Madrid, was founded in 2007 and promptly adopted a business model integrated into the value chain of the renewable energy sector, mainly in photovoltaic and wind technology. Thus, their activity in the field of renewable energy generation projects includes the following activities: development, financial structuring, construction (EPC), operation and maintenance (O&M), as well as the management thereof (Asset Management).

The business model has included the sale of projects since its beginnings, mainly in the operating phase. Depending on the timing of the sale, the sale may be accompanied by appropriate construction, financing and/or service agreements (EPC, O&M and Asset Management). With this strategy, the company can guarantee that its business base will both increase and have a higher chance of recurrence - allowing for sustainable growth in terms of revenue generation and debt containment.

The group´s activity focus is developed in the markets of Spain, Chile, Mexico, Peru, Colombia and Argentina, where it has a portfolio of 4,127 MW of renewable energy projects in different stages of development as of June 2019 (589 MW in the backlog defined as projects with an 80% probability of being completed). Revenues in recent years have been mainly concentrated in Chile; nevertheless, Spain is now once again playing a significant role in the growth plans.

The track record of GRENERGY is summarized below:

- 2007-2012. Constitution and progress towards an integrated business model.

The company started its activity in 2007, developing and building plants for third parties in Spain. In 2009, with 5 MWp already executed in several projects, it began its gradual evolution towards an integrated model as 'IPP'. In this sense, in 2011 the group built its first plant for the energy sales business (Spain: 2.10 MWp), ending the year with a total of 11.72 MWp built and in operation in Spain.

During the founding of GRENERGY, the figure of its founder and main shareholder, David Ruiz de Andrés (currently 76%), is noteworthy. Mr. Hugo Galindo (General Manager until August 2019 and significant shareholder with a 3.3%) joined the group in 2008 as Business Development Manager.

- 2012-2014. Internationalisation and growth of the projects portfolio.

In 2012 and 2013, respectively, the subsidiaries of Chile and Mexico were established, marking the beginning of operations in Latin America. During this period, marked by the exhaustion of the model for the sector in Spain as a result of regulatory uncertainty, various projects were built on rooftops (including greenhouses).

In 2014, the group incorporated the subsidiary in Peru. In the 2012-14 period, the sale of projects (built between 2010 and 2014) was a key characteristic in the generation of results for the group. The company ended 2014 with 21.15 MWp built, all of which were in Spain. The same year Mr. Hugo Galindo became General Manager and Mr. David Ruiz held 100% of the shares through his equity in DARUAN GROUP HOLDING, S.L.

- 2015-2017. Stock flotation in the MAB and quantitative jump in the operations.

In 2015, the established portfolio of projects in different stages of development totaled more than 900 MW in Latin America (photovoltaic and wind) and 150 MW in Spain (photovoltaic). Of these, 43 MW were under construction or 'Ready to Build' in Chile, with 2015 being the year in which the first Chilean plant was built and connected. That year, GRENERGY began trading on the Spanish Alternative Stock Market (MAB). At the end of the financial year, Mr. David Ruiz held a majority stake of 80.44%.

The company ended 2015 with 24 employees. Also noteworthy is the 2015 incorporation of its subsidiary in Colombia. As such, the 2015-2017 Business Plan focused on an activity that was fundamentally centred on Latin America, with the main objective being the building of 85 MW in Chile to increase the business base for the sale of energy and the generation of income from the sale/construction of projects.

In 2016, the company was awarded two wind projects (36 MW) at an auction held in Peru, with the subsequent formalisation of power purchase agreements (PPA) and 30 photovoltaic MW at an auction in Mexico. At the end of 2016, it had 36 MW connected in Chile (18 MW earmarked for IPP), and financing was obtained for another 33 MW. The workforce in Chile is 20 people, with the total increasing to 43.

In 2016, a new capital increase resulted in significant shareholdings of 75.94% in the DARUAN GROUP (owned by Mr. Ruiz) and 4.68% in GAHUCO INVESTMENTS, S.L. (Stake of the General Manager). That year, the Board of Directors incorporated two independent members for a total of 5 members.

In 2017, a wind power development of 24 MW was acquired in Argentina as a timely entry into this country with investment parameters that are considered safe and highly profitable. In 2017, the sale of projects resumed as planned. Of the 57 MW set up in the last two years (13 projects), 39 MW were sold. Income from the sale of energy from the plants which were in operation increased considerably, albeit with this still being limited in terms of income generation.

- 2018- Present

By the end of 2018 the company had a workforce of 108 employees and a combined 145 MW already built and a pipeline of 2,488 MW (136 MW under construction). The 2018 financial year ended without any plants in 'generating' after the sale of the 12 MW that the group managed during that year on the 31st of December, an aspect that allowed the Company to overshoot the year's budget. In this sense, the company increased its positive results with new project sales and significantly reduced its net financial debt as a preliminary step toward the development and construction of the new projects included in its 2020 business plan.

The strategic plan for 2020 aspires to the construction of 405 MW (25 MW in 2019 + 380 MW in 2020), with 350 MW expected to be held by the Company in order to resume its activity as an IPP. To this end, the group has established construction and sales agreements for 171 MW. Plans also include expanding the pipeline portfolio to 5,000 MW by the end of 2020 bolstered by the recovery of the market in Spain.

In 2019, the June figures show an advance of the 138 MW in the construction phase, and the total portfolio extended broadly to 4,127 MW. The Kosten project (24 MW earmarked for IPP) has enjoyed project financing since May 2018 and is scheduled to be connected in by the end of 2019. During this month we also highlight the financing for the two Peruvian wind farms (36 MW), for which construction has already begun and which are expected to be operational before the summer of 2020, as well as the approval of a capital raise through reserves and the board of directors reorganization (departure of the CEO) and the approval for the jump to the Continuous Market as notable factors in the scope of the management.

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1.2. Competitive force

Competitive positioning

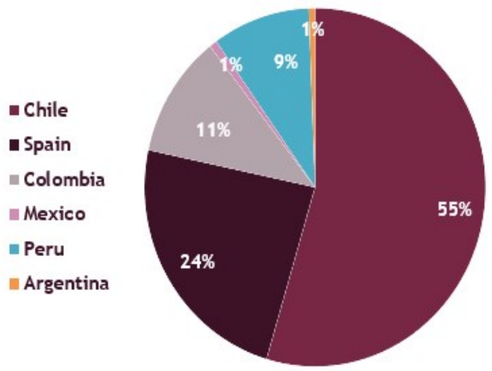
"GRENERGY´s competitive positioning is seen as moderated, based on the achieved development in the industry so far, being the potential growth valued as positive"

GRENERGY is now beginning to stand out in its competitive positioning, evolving towards a status of a medium-sized company with revenues in 2018 of €55M, a consolidated balance sheet exceeding €50M, and 126 employees in June 2019 (63 in 2017). Similarly, the management of a portfolio of 4,127 MW, with some diversification, and a forecast of growing until 5,000 MW in the short term, determines a significant potential in its competitive development and places it as a benchmark player in a market that is still very fragmented. Nevertheless, the lack of further progress in the current development of operations determines our assessment of a moderate competitive positioning.

Portfolio under development

MW	Construction	Backlog	Advanced development	Initial development	Total	% o/total
Probability of execution (1)	**100%**	**80%**	**>50%**	**<50%**		
Chile	78	209	154	1,812	2,253	55%
Spain	0	200	660	120	980	24%
Colombia	0	12	0	446	458	11%
Mexico	0	30	0	0	30	1%
Peru	36	0	80	266	382	9%
Argentina	24	0	0	0	24	1%
Total	**138**	**451**	**894**	**2,644**	**4,127**	
% s/total	3%	11%	22%	64%		
Nº de proyectos	12	15	11	32	70	

Diversification of portfolio by markets (MW)



Current portfolio shows 3% in the construction phase and 11% in the Backlog (with an execution probability of 80% having secured connection permits and land leases), making a total of 589 MW (22%) in the final development phase. With this capacity, the achievement of its growth plans is favourable in the short to medium term.

Underpinning the company's potential, we highlight its status as a listed company as a positive element that reinforces the development of its activity, and for which the company is currently managing its optimisation with its move to the Continuous Market. Similarly, the progress made in the integration of its business model, including the inclusion of the wind segment and the progressive incorporation of activities that provide added value in different countries, are aspects that are valued as competitive advantages and levers for growth and generation of profitability in its activity.

Diversification of the activity

GRENERGY is a specialised company where the renewable energy sector is its exclusive area of business. However, its positioning as a company integrated in the business value chain, its operations in photovoltaic and wind technology, and its presence in several countries are all elements that favour the diversification of its activity and the competitive positioning of the group in the market.

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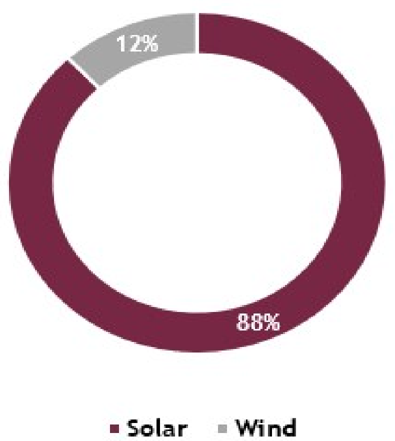
The company is at an advanced stage in the consolidation of its business model as an integrated company. In this regard, the greatest progress to date has been made in the photovoltaic segment with the EPC in the wind power sector being developed under an agreement with Siemens-Gamesa and with a limited track record. The construction of the group's first wind power project of 24 MW (Kosten, Argentina) is expected to be completed by the end of 2019.

Portfolio under development: solar

MW	Construction	Backlog	Advanced development	Initial development	Total	% o/Total
Probability of execution (1)	**100%**	**80%**	**>50%**	**<50%**		
Chile	78	209	154	1,496	1,937	53%
Spain	0	200	660	120	980	27%
Colombia	0	12	0	446	458	13%
Mexico	0	30	0	0	30	1%
Peru	0	0	0	230	230	6%
Total	**78**	**451**	**814**	**2,292**	**3,635**	
% o/Total	2%	12%	22%	63%		
Nº of projects	9	15	10	27	61	

(1) Estimation according to the criteria of the company

Diversification of portfolio by segments (MW)



At present, the portfolio of projects corresponding to the solar segment is 88% (57% of which are in the construction phase). Spain and Chile represent the major focal points of solar development at the moment, making up 80.2% of the portfolio, an aspect that also reflects the importance of these two markets in the overall development of projects. As such, 78% of the total project portfolio by June of 2019 hinges on the Spain-Chile axis. In the update of the portfolio data as of June 2019, Chile's growth stands out, with an important portfolio advance in the early stages of development, which allows it to position itself as the main market with 55% of the total. Peru, Mexico and, to a greater extent after the last portfolio update Colombia make up the rest of the markets with developments in solar technology, however these are still in the initial phase.

Portfolio under development: wind

MW	Construction	Backlog	Advanced development	Initial development	Total	% o/total
Probability of execution (1)	**100%**	**80%**	**>50%**	**<50%**		
Argentina	24	0	0	0	24	5%
Peru	36	0	80	36	152	31%
Chile	0	0	0	316	316	64%
Total	**60**	**0**	**80**	**352**	**492**	
% o/Total	12%	0%	16%	72%		
Nº of projects	3	0	1	5	9	

(1) Estimation according to the criteria of the company

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Furthermore, the wind power business is becoming more relevant in the group's current activity with the construction of 24 MW in Argentina (Q4 2019) and 36 MW in Peru (Q2-2020), although the rest of the production being developed (64%) is currently in the initial phase. Chile accounts for 64% of the portfolio being developed standing in for Peru as the largest wind market until the first half of 2019.

Operations in various technologies is an element that reinforces GRENERGY's positioning in terms of potential for project development and diversification of energy sales. In this case, the wind power activity, which complements its business, generally provides greater hours of production and is not affected by the time of day, therefore making a positive contribution as a back-up technology. However, it should be noted that the company is currently far from operating in a market under a relevant mix of production diversified by technologies, a situation in which competitive advantages are maximised.

Due to its markets, activity in recent years in terms of revenues has been concentrated almost exclusively in Chile (99.6% of revenues in 2018), this being the first expanding market after the change of cycle in the sector in Spain and where it has been able to position itself as the biggest player in terms of projects built and connected to the network (24 plants until H1-2019, and 9 under construction). In Chile the company has been fundamentally active in the 'small means of distributed generation' regime (SMDG´s), which is aimed at production projects not exceeding 9 MW connected to medium voltage networks in distribution systems and which have the advantage of operating at a price with a high level of stability (regulated price with little variability), without precluding the possibility formalising a PPA or similar agreements.

The short and medium term outlook focuses on Chile as the main and outstanding source of revenue generation, an aspect that is expected to also be driven by the sale of projects in this market in the future, with Spain's importance growing as of 2021. As of June 2019, revenues in Chile reached 99.7%.

Diversification of activity by markets (origin of turnover)

€thousands	2017		2018		Evolution
Turnover (1)	**Amount**	**% weight**	**Amount**	**% weight**	**2018-17**
Spain	206	0.43%	232	0.42%	12.62%
Chile	47,738	99.57%	55,243	99.58%	15.72%
Total	**47,944**		**55,475**		**15.71%**
EBITDA (1)	**Amount**	**% weight**	**Amount**	**% weight**	**2018-17**
Spain	30	0.43%	55	0.25%	83.33%
Chile	6,926	99.57%	21,962	99.75%	217.10%
Total	**6,956**		**22,017**		**216.52%**

(1) includes incomes from the sale of assets and work performed by the company for its assets

In accordance with the diversification of activity by business segments, the most importance activity is, traditionally, the development and construction activity (D&C) which includes the activities of searching for viable projects, the work necessary to achieve all the milestones for the start of construction, and the work on the ground for the construction and start-up of the project.

In 2018, revenue associated with 'D&C' increased by 18% due to the new agreements signed for the construction and sale of solar farms in Chile for a total of 171 MW (76 MW already under construction) for three clients: Daelim (125 MW), Carbon Free (31 MW) and Sonedix (15 MW). Similarly, the sale of functioning plants in 2018, given the good opportunities offered by demand at the moment for this type of assets, allows for increased results in this segment.

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The increase in the sale of projects will lead to a growing weight of the services activities (O&M and Asset Management), with a significant increase of 103% in 2018. However, this is still a residual activity in the current stage of GRENERGY's development. At present, 'O&M' activity total 113.4 MWp (92.6 MWp in 2018), while Asset Management services were contracted for 63.4 MWp (44.5 Mwp in 2018).

Diversification of activity by segments

€thousands	2017		2018		Evolution
Turnover (1)	**Amount**	**% weight**	**Amount**	**% weight**	**2018-17**
Development and construction (1)	44,111	92.01%	52,443	94.53%	18.89%
Energy	3,335	6.96%	2,022	3.64%	-39.37%
Services	498	1.04%	1,010	1.82%	102.81%
Total	**47,944**		**55,475**		**15.71%**
EBITDA (1)	**Amount**	**% weight**	**Amount**	**% weight**	**2018-17**
Development and construction (1)	6,813	14.21%	23,389	42.16%	243.30%
Energy	2,503	5.22%	1,454	2.62%	-41.91%
Services	167	0.35%	213	0.38%	27.54%
Corporate	-2,527	-5.27%	-3,039	-5.48%	-20.26%
Total	**6,956**	**14.51%**	**22,017**	**39.69%**	**216.52%**

(1) includes incomes from the sale of assets and work performed by the company for its assets

On the other hand, asset turnover explains the lower results contributed by the energy sales segment in 2018. A reduction in revenues is also expected for 2019 given the sale at the close of 2018 of the 12 MW owned by GRENERGY in the last financial year, with the expected revenues from the sale of energy being only those coming from corresponding to the project in Argentina during the end of 2019. However, forecasts for 2020, with the construction of 350 MW destined for IPP, shows that the sale of energy will increase substantially that year.

The increased importance of project sales, where transactions are one-off means that the company does not currently maintain a significant concentration in its customer base.

1.3. Management

"Management fundamentals generally positive based on the stability and management track record and the adequate achievement of the defined company strategy"

At present the company is managing a qualitative and quantitative leap in operations in order to outgrow its 'SME' classification and become a large company that aspires shortly to be listed on the Continuous Market of the Spanish Stock Exchange. This situation determines a key moment in management that, in our opinion, has adequate foundations laid from 2015 onwards in terms of management composition and consolidation of the business model. Likewise, the changeover to being listed on the MAB in 2015 is an element that is valued positively as an element that reinforces management practices.

Shareholding structure and management quality

GRENERGY was founded in 2007 by Mr. David Ruiz de Andrés, current Chairman of the Board, CEO and main shareholder of the group with a 75.99% stake. Currently, the shareholding structure consists of an 76.8% share of directors, 3.3% corresponding to the participation of General Manager until July 2019, 3.1% of treasury stock, and a remaining 16.8% of free float.

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Shareholding structure		
Daruan Group Holding, S.L.	76.0%	CEO
Mr. Hugo Galindo Pérez	3.3%	Former General Manager
Free-float	16.8%	
Treasury stock	3.1%	
Others Board members	0.8%	
Total	100.0%	

The financial support from the partners has been key to the growth of the group to date, both in terms of capital contribution and in terms of a restricted dividend policy that is currently in place. It should be noted that the Shareholders' Meeting held in 17 June approved the proposal to increase share capital by €4.8MM from voluntary reserves (€12MM at the close of 2018).

The Board of Directors is currently made up of 5 directors, where the incorporation of 2 independent members in 2016 is valued positively, as well as the presence of directors who additionally participate in the board of directors. In this case, the executive members are directly related to the ownership of the company.

Board of directors

Members	Typology	Incorporation
Mr. David Ruiz	Executive/ Shareholder	2007
Mr. Antonio Jimenez	Executive/ Shareholder	2007
Mr. Florentino Vivancos	Board secretary	2007
Ms. Ana Peralta	Independent	2016
Mr. Nicolás Bergareche	Independent	2016

The members of the Board of GRENERGY, together with the managers, currently have an average length of service of 5.3 years (6.2 before the recent leaving of the General Manager), with the CEO and the CFO being present from the outset. The departure of the General Director is located within a reorganization of the management, communicated in August 2019 by the company, with the aim of implementing a more horizontal organization chart that favors agility in management and distinguishes mainly between the Corporate service and business development areas.

At present, the company has a fairly large management team that covers the different corporate and business areas (Construction, Services and Energy), the markets in which it operates, and the corporate areas of legal and financial structuring of projects as main supports.

To date, the management's performance in the execution of the group's strategic plans and growth is valued positively. The company has completed the 2016-2017 Plan with an adequate level of achievement, contributing to the milestones of growth and development of operations in Chile and, in general, advancing in the Spain-Latin America axis as a solid basis for the development of the new objectives.

Similarly, 2018 has seen the expected results be surpassed. The greater sale of assets in Chile, which finally included the 12 MW of power generation being operated by the group, allows revenues and profits to be increased.

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Strategy and business plan

GRENERGY is currently maintaining its historical business model, which revolves around an integrated activity within the value chain of renewable energy projects.

Its activity is accompanied by a positioning in markets that favor the resource (solar and wind), the positive demand for energy, and with the possibility of obtaining stable prices (auction, PPA, regulated price, etc.). Likewise, the flexibility to monetize its projects at any advanced stage of development is maintained, allowing leverage levels to be sustained if necessary.

Management is currently developing the Business Plan on the basis of the already achieved 4,127 MW of the asset pipeline, the significant reduction in debt as a result of the sale of projects, and the return of Spain as a strategic market, giving continuity to the consolidation of operations under the key objectives of:

- Sale of projects in Chile: The construction of projects sold in Chile remains a fundamental business at this time. Following the sale of 18 MW and 39 MW in 2016 and 2017, respectively, 45 MW were sold in 2018. Similarly, sale agreements were signed for 171 MW in 2018 and they are being progressively delivered (4 in the first 6 months of 2019).

- Increasing the energy sales business (IPP) with the development and construction of 350 MW: the company's own developments of 36 MW and 24 MW of wind power in Peru and Argentina, as well as 90 MW and 200 MW of photovoltaic power in Chile and Spain, respectively, before 2021, make it possible to recover energy generation as a strategic business following the sale of their last energy generation projects in 2018.

- Expanding the current portfolio of projects under development with a target of 5,000 MW: at present, the group's track record and the trends seen in technology and construction costs make it possible to focus the business on large projects. The current recovery of Spain as an attractive market for investment contributes to the company's growth plans.

- Raising human and financial capital for growth: until 2020 the plan estimates investment of approximately €300M, of which €210M (70%) would stem from project debt. For the rest of the necessary capital, the company has planned an initial issuance for an amount of approximately €22M in 2019 in the Spanish MARF, as well as its internal cash generation mainly from the sale of projects, accompanied by a policy of not distributing dividends, possible capital increases or the use of bank financing when necessary and depending on market conditions. Likewise, the reinforcement of personnel is an element that plays a leading role in management; in this regard, we should draw attention to the fact that the company is currently expanding its available office space to accommodate new incorporations in its headquarters in Madrid and maintains a growing trend in its workforce.

As commented, the objectives therefore include the completion of the development and construction of up to 763 MW before 2022, based on a historic maximum of a total of 170 MW built. In this regard, although the objectives are ambitious, it is important to point out that progress in both technology and construction, as well as a reduction of costs, mean that planned construction roll out is not comparable to that of 5 or 10 years ago. We should also point out that the ability and willingness of the group to subcontract operations to third parties (EPC for example), depending on timing requirements, supports the achievement of growth objectives.

At present, the advancement of the portfolio under development of 589 MW in the final phase or 'backlog', with 138 MW already under construction, means that there is positive visibility in the short and medium term for achieving the strategic objectives, with the evolution of the group after 2021 being highly uncertain.

Thus, the objectives of construction of new projects are:

- 2019: an additional 24 MW, corresponding to the Kosten park in Argentina which is pending of connection before the end of the year.

- 2020: 339 MW, corresponding to the two Peruvian wind farms under construction (36 MW) and the solar developments of Escuderos (Spain, 200 MW) and Quillagua 1 (Chile, 103 MW).

- 2021: 400 MW in the solar projects indicated as Quillagua 2 (Chile, 100 MW), Belinchón (150 MW, Spain), José Cabrera (50 MW, Spain), as well as the additional 100 MW in Chile (PMGD package).

Issuance of outstanding debt

Among the group's financing plans, we would highlight the planned registration of a bond programme in the Spanish Alternative Fixed Income Market (MARF) for up to €50MM. Under this programme, a first issuance of approximately €22M with maturity in 2024 is expected in 2019. The main terms and conditions are:

- Pari Passu.
- Negative pledge.
- Change of control.
- Cross default.
- Limitation of indebtedness - leveraging of up to 4x only considering recourse debt and its corresponding EBITDA (NFDwR /EBITDAwR)
- Dividend distribution limitation - no dividends paid in the first 2 years. From the 2nd year, up to 50% pay-out if DFNwR/EBITDAwR is below 4.0x.
- Limits to changes in the corporate structure.
- Reporting information requirements.
- Maintenance of the rating until the bonds reach maturity.
- Maintenance of the green bond rating (i.e. that the use of funds is “green”).

1.4. Sectorial environment

GRENERGY’s activity resides within the renewable energies sector - those that arise from natural sources that are not depleted once used (sun, water, wind, heat, vegetable waste, etc.). Specifically, the solar photovoltaic and wind technologies constitute its field of business.

Competitive fundamentals

The renewable energy sector is identified as a mature sector, an aspect reflected in the greater consolidation of large producers and with greater business integration. The reduction of costs and the maturity of the technology drive the renewable sector as a strategic production system within the field of energy generation, with wide demand for both public and private initiative.

The existence of a large number of competitors is determined by the low barriers of entry to the sector that, in relative terms, the operating companies find and where the existing capacity for subcontracting and the purchase of licenses in the sector facilitates access. This element, which a priori increases the competitiveness of a sector, is generally nuanced by the absence of competition between projects. As such, at this time the general situation of priority dispatch for renewable energy in certain regulated markets, the high demand for energy, and the power purchase agreements (PPA) give the sector a positive recurrence in business generation, regardless of the number or size of competitors.

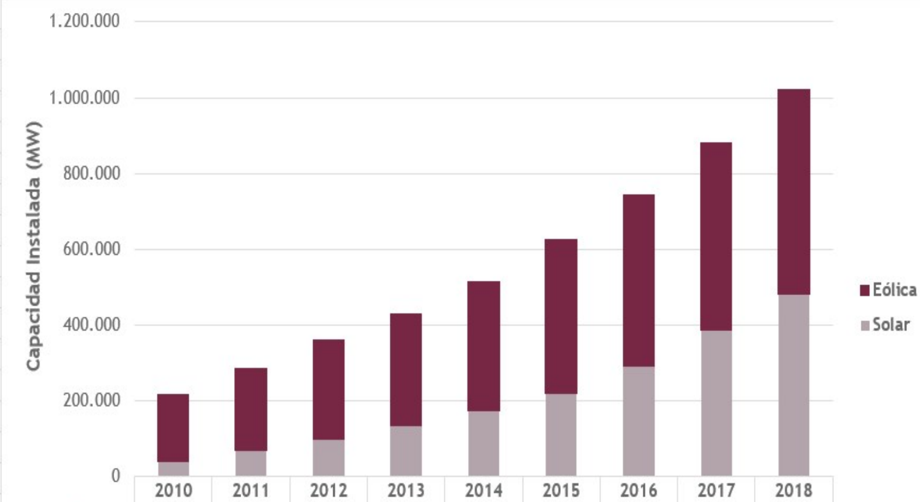
In terms of competitive forces, attention should be drawn to the usual operation on regulated markets or private supply contracts (PPAs) limiting the producer’s negotiating power in terms of prices due to the need to stabilise prices at key moments to finance projects. On the contrary, the maturity of the sector affords the companies an adequate capacity to bargain with suppliers, an aspect that has driven the drastic reduction in costs in recent years.

Renewable energies, specifically solar photovoltaic and wind power, are currently the main substitute and disruptive element in their industry with respect to conventional generation. This element, which continues to advance in line with technological advances, both the generation and storage (batteries) of energy, allows highly favourable demand scenarios for companies in the sector.

Sector Outlook

Renewable energies, with special emphasis on photovoltaic and wind power, continued to grow in terms of installed capacity on a global scale in the last financial year, with increases of 24% and 9%, respectively.

Globally solar and wind energy evolution by installed capacity (Source: IRENA)



	2010	2011	2012	2013	2014	2015	2016	2017	2018
Eólica	177.798	216.208	261.531	292.770	340.693	404.508	452.710	495.731	540.370
Solar	39.603	70.973	100.297	135.758	172.994	221.067	292.440	386.107	480.357

The basis for the increase in demand can be explained by the nature of non-polluting energies, the reduction in costs and the growing demand for energy that keeps prices competitive.

Being 'clean' or non-polluting energy sources, by definition, determines that their degree of penetration continues to grow each year through both public and private initiatives, leading the alternative to conventional generation (gas, oil, coal, nuclear, etc.). By way of reference, Spain's proposal for meeting the energy generation targets by 2030 in Europe currently means moving the current 40% usage of the renewable energy market to 72% (with a view to 100% by 2050). This plan, followed in a similar way in other markets such as Chile (70% in 2015), implies new installations with an accumulated estimate increase of around 60 GW of wind and photovoltaic energy. Although these are ambitious objectives, they mark the reality of a commitment to renewable energies (including self-consumption) as the main element of generation, with the fundamental backing of gas (combined cycle) and the development of storage technology.

The reduction in implementation costs is the key element in the development of the sector, both in mature markets, which have borne and financed R&D costs, and in developing markets such as Latin America. The assumption of the estimates of a 50% reduction in wind and 85% in photovoltaic in the total cost of construction and operation (LCOE) since 2010 explains and justifies the commitment to renewable energy as a clear alternative in the generation mix. With this development, it is expected that this year wind and solar generation will be consolidated as the cheapest energies to produce, an aspect already evident in the latest photovoltaic auctions in markets with excellent resources such as Chile, Mexico, Peru, Saudi Arabia, etc.

The sum of sustained growth in electricity demand worldwide provides the ideal competitive framework for the growth of the sector. The growing consolidation of the power purchase agreements (PPA) market, together with the mechanisms of auctions that progressively replace the public scheme of premiums, and the sale to the market itself, which allow the most efficient projects, give greater flexibility to the development of the projects. In the short and medium term, the high availability of liquidity in the market also favours the development of a very investment-intensive sector.

In this way, the outlook for the sector is valued as being very positive in the short and medium term. The consequent increase in competition and the capacity of the electricity (network infrastructure) and capital markets to assume the proposed energy volumes are elements that must be correctly managed in the sector in the medium and long term.

2. Financial analaysis

"Positive evolution in the solvency underpinned by the debt reduction, driven by the increase in the results and the last year cash generation"

2.1. Financial evolution

Consolidated financial figures				
€thousands	2016	2017	2018	2018vs17
Adjusted revenues (1)	17,666	47,944	55,475	15.71%
EBITDA	-2,118	6,956	22,017	216.52%
% o/revenues	-	14,51%	39.69%	25.18 p.p
Net result	-3,036	3,513	13,279	278.03%
Total financial debt	21,375	24,269	17,068	-29.67%
Net financial debt	9,963	21,168	3.826	-81.93%
o/ EBITDA	-	3.04x	0.17x	-2.87x
Total Balance	50,305	57,497	58,285	1.37%
Net Equity	13,397	16,043	28,864	79.92%
o/ Balance	26.63%	27.90%	49.52%	21.62pp
Working Capital	8,496	13,783	19,883	44.26%
Financial expenses	-189	-1,974	-1,559	21.02%
o/ EBITDA	-	3.52x	14.12x	10.60x
Cash	11,412	3,101	13,243	327.08%
Operating Cash-flow	8,193	-14,762	14,503	198.24%
Free Cash-flow	-12,886	-8,064	17,479	316.75%
Net Cash-Flow generated	8,014	-6,104	10,166	266.54%
(1) includes income from the sale of assets and work performed for the fixed asset itself				

Results and profitability

In 2018, the company continued the positive trends seen in the generation of results, reaching a net result of €13.2MM, compared to €3.5MM the previous year. The increase in business associated with the development and sale of projects was an important boost to the group's results in 2018.

In the last financial year, the company increased its adjusted turnover (or revenue) by 15.7%, an aspect favoured to a greater extent by the sale of projects. These generated €44.2MM in 2018 compared to €14.8MM in 2017. We should point out that in 2016 there were no sales, an aspect that, given the current strategic moment of limited business associated with services and sale of energy, led to accounting losses.

It should be noted that the turnover includes (in sales) the income corresponding to the development and construction activity (€24.2MM in 2018), while the rest of the income (those derived from the sale of shares) is reflected as 'Results from loss of control of consolidated holdings' (€13.3MM in 2018). Thirdly, we indicate that when projects are included in tangible fixed assets at the time of their sale (because they are already up and running), the income obtained is reflected under the heading 'Results from disposals and others' (€6.7MM in 2018).

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Evolution of the adjusted turnover (1)

€thousands	2016	2017	2018	2018-2017
sale of EPC from projects	0	6,633	24,255	265.69%
sale of projects in assets	0	7,266	6,722	-7.48%
sale of shares from projects	0	898	13,276	1377.63%
Sale of projects (1)	**0**	**14,797**	**44,253**	**199.07%**
Production of energy	**942**	**3,335**	**2,022**	**-39.37%**
Services	**281**	**206**	**1,010**	**391.17%**
Development (work performed by the company for its assets)	**16,443**	**29,607**	**8,191**	**-72.33%**
Total adjusted turnover	**17,666**	**47,944**	**55,475**	**15.71%**
Change in stocks	48	-171	0	-
Supplies	-17,023	-36,270	-26,672	26.46%
Gross margin (1)	**690**	**11,503**	**28,803**	**150.39%**
% o/turnover	**3.9%**	**2.,0%**	**51.9%**	**27.93 p.p**

(1) includes incomes from the sale of assets and work performed by the company for its assets

Evolution of results. H1-2019

€thousands	H1-2018	H1-2019	Var.
Turnover	24,570	55,504	126%
EBITDA	5,144	12,055	134%
% o/turnover	20.94%	21.72%	0.8pp
Net result	3,004	8,768	192%
% o/turnover	12.23%	15.80%	3.6pp

In this way, income from the sale of assets explains the increase in the Gross Margin and EBITDA of 150% and 217%, respectively, an aspect that allows the company to amply compensate for the increase in personnel and operating costs that accompanies the growth of the group. On the other hand, the lower results from work on fixed assets in 2018, €8.1MM compared to €29.6MM in 2017, were offset by lower supplies.

Operations in 2018 achieved an improvement in the EBITDA margin, putting itself in very positive terms (40%). The improvement in EBITDA makes it possible to offset the worse financial results obtained in the last year. As such, although the company managed to reduce its financial expenses thanks to the reduction in financial debt and its lower average cost, the negative exchange rate differences in 2018 (-€2.8MM) limited the results. The depreciation of the Chilean peso against the US dollar is the main cause of the increase, while in 2017 there was a positive effect of €1.2MM due to the appreciation of the Chilean currency.

With this performance, the company continues to grow and obtains a positive net result with ample improvement with respect to previous years, an aspect that places value on the previous development of projects and their capacity to carry them out.

The evolution of the first half of 2019 maintains the positive trend in the generation of business and positive results according to the progress in the development and sale of projects, an aspect reflected in significant growth compared to the same period of the previous year.

Indebtedness

The progress of 2018 in terms of indebtedness and financial structure is valued as being broadly positive, resulting in a situation of low indebtedness, reflected in Net Equity of 49.5% over the total balance sheet, and a Net Financial Debt/EBITDA ratio of 0.17x.

In 2018, Net Equity behaved positively and almost completely reflected the higher results achieved, an aspect favoured by the policy of not distributing dividends.

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Treasury stock movements and conversion differences are the main negative movements. With this increase in self-financing, and the reduction in the liabilities that accompanies the trends of the last financial year, the company places its Net Assets at 49.5% of the balance sheet total (28% in 2017), a very positive figure in terms of financial autonomy.

Thus, the reduction in liabilities is an element that underpins the current improvement in solvency. In the trends seen with liabilities, we highlight a greater reduction in non-current liabilities, an aspect that extends the greater concentration of current debt in 2018 (67%). However, the improvement in current assets makes it possible to offset this situation, with the increase in the Working Capital reaching a positive ratio of 2.0x in 2018.

The reduction in financial debt also accompanies the favourable evolution of indebtedness. Together with the positive effect of the increase in cash flow, Net Financial Debt/EBITDA in 2018 reached a minimum ratio of 0.17x (3.04x in 2017). In 2018, financial debt maintained its majority weight of 58% over the group's total liabilities, with a greater reduction in non-current liabilities.

During 2019 the debt situation remains favorable for the solvency of the group. The increase in financial debt in the first semester that accompanies the advance in investment has a positive support for the generation of results and cash. Likewise, we point out the greater increase in debt associated with projects and that it has the possibility of conversion to debt 'without recourse' in the medium term (12 months of operation of the parks in Latin America).

Evolution of indebtedness. H1-2019

€thousands	2017	2018	H1-2019
Financial debt	24,269	17,068	40,289
Net financial debt	21,168	3,826	11,286
o/EBITDA (1)	3.04x	0.17x	0.94x
Corporate net financial debt	7,356	4,840	-2,737
Project net financial debt	-	14,023	15,038
Net equity	16,043	28,864	38,603
o/Financial debt	66%	169%	96%
o/Balance	28%	50%	35%
Working capital	1.58x	2.01x	1.31x
(1) 6 months EBITDA in H1-2019			

The positive Working Capital situation and the limited financial indebtedness are currently accompanied by a maturity schedule that favours financial flexibility. The largest proportion of debt in the short term (42%) corresponds normally to the maturity of credit lines.

Financial debt schedule. H1-2019

€thousands	Loans	Credit lines	Leasing	Others	Total	%
30/06/2020	2,819	12,579	375	1,245	17,020	42%
30/06/2021	2,787	-	412	52	3,252	8%
30/06/2022	1,637	-	341	182	2,160	5%
30/06/2023	1,421	-	286	-	1,707	4%
30/06/2024	1,421	-	215	-	1,636	4%
+2024	14,211	-	304	-	14,515	36%
Total	**24,296**	**12,579**	**1.934**	**1,480**	**40,289**	

Liquidity

Adequate liquidity supported by the capacity to generate business and limited indebtedness. However, the company faces an investment plan that maintains its high financial dependence, an aspect that must be properly managed.

With regard to cash flow generation, the aforementioned improvement in results was accompanied in the last financial year by a positive variation in working capital of €9.2M (-€14.1MM in 2017), reaching a significant increase of almost double in terms of operating cash flow (+198%). Net investment flow remained positive in 2018, at €2.9MM (€6.7MM in 2017), contributing to positive cash generation. Thus, the lower cash generation associated with the sale of assets was offset by lower investment in the last year. However, investment in growth (fixed assets) continues to be relevant with €26.9MM in 2018 (€39.2MM in 2017).

Cash generation

€thousands	2016	2017	2018	2018vs2017
EBITDA	-2,118	6,956	22,017	216.52%
Cash and equivalents	9,057	2,953	13,119	344.20%
Cash flow generated				
Pre-tax results	-2,250	4,892	14,481	196.03%
+/- adjustment	673	-4,874	1,155	123.70%
Others	-1,529	-595	-4,057	-581.76%
+/- working capital	11,300	-14,185	2,923	120.61%
Cash-flow from operating activities	**8,193**	**-14,762**	**14,503**	**198.24%**
Investment Cash-flow	-21,079	6,698	2,976	-55.56%
Free cash-flow	**-12,886**	**-8,064**	**17,479**	**316.75%**
Cash-flow from financing activities	19,940	1,960	-7,150	-464.70%
Others	960	0	-164	-
Net cash-flow generated	**8,014**	**-6,104**	**10,166**	**266.54%**

Evolution of cash generation. H1-2019

€thousands	1S-2018	1S-2019	Var.
EBITDA	5,144	12,055	134%
Cash	11,317	29,003	156%
Cash-flow generation			
Operating cash-flow	**6,898**	**19,052**	**176%**
investment cash-flow	-19,368	-30,397	-57%
Free cash-flow	**-12,470**	**-11,345**	**9%**
Financial cash-flow	20,855	21,819	5%
Others	-276	34	112%
Net cash-flow	**8,109**	**10,508**	**30%**

Thus, in 2018 the company significantly improved the figure of 'free cash flow', allowing for the reduction of financial debt and progress in the increase in the cash position. At the end of the year, cash on hand stood at €13.1MM. The demonstrated and expected capacity to generate positive cash flows from operations favors operations and their capacity to meet investment objectives and financial obligations.

The evolution of 2019 to the first semester maintains the generation of positive net cash with the support of the flow obtained in its operations and the return to a positive financial cash flow. Thus, the lower divestment made during the year required the collection of debt to compensate for the negative free Cash Flow obtained. In this way, the progress in liquidity is positive, allowing to boost its cash flow to €29MM.

Finally, we highlight the availability of financing as an element that strengthens liquidity. During 2019, the company continued to extend its credit limit to €54.7MM (€37.6MM in 2018), ending the year with an available amount of €42MM (77% of the total).

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