



## PRESS RELEASE

Luxemburg, 29<sup>th</sup> April 2016

### VELCAN: ANNUAL RESULTS 2015 SECOND CONSECUTIVE YEAR OF GROWTH IN EBITDA, POSITIVE NET INCOME AND INCREASE IN SHAREHOLDERS' EQUITY

	<u>2015</u>	<u>2014</u>	<u>Var %</u>
Revenues (EUR m)	3.5	4.5	-23%
EBITDA (EUR m)	2.7	1.9	+39%
Net Income (EUR m)	4.9	6.1	-19%
Shareholders' Equity (EUR m)	130	128	+2%
Cash and Financial assets	101	93	+9%
Market Capitalization	104	94	+11%
Concession Portfolio	803 MW	896 MW	+4%
Book Value per Share (EUR) (Net Outstanding Equity)	21.8	21.3	+3%
Shares Outstanding net of Treasury shares ('000)	5,976	5,995	-0%

Jean-Luc Rivoire and Antoine Decitre, co-CEOs of the Group declared: *"2015 has been a very good year for Velcan. We have strengthened our Balance sheet and made significant progress in India. We have exited Laos at a significant gain and made good progress in Indonesia. Unfortunately these very promising developments have been stained by some administrative obstacles in Indonesia at the beginning of 2016.*

*In India, after eight years of work, two projects (totaling 426 MW) out of the three in our portfolio (totaling 571 MW) have finally got the three most important clearances which confirm their very good techno-economic and environmental features. These projects are now amongst the most advanced in India, and we are looking forward to clearing their last pre-construction steps.*



*In Laos, both projects, which were good technically and which had reached an advanced stage of development have been sold because uncertainties of the IRR (internal rate of return) due among others to the domestic power market situation. The selling price, which valued our projects at USD 100,000 / MW at pre-PPA stage, confirms that the Group generates value through its internal project development capability.*

*In Indonesia, advances have also been significant when we announced the construction of Sukarame (7 MW) in September 2015. Disappointingly, perspectives have worsened since then and while the adequate conditions to invest in small hydropower plants in Indonesia were finally there, after four years of development, PT PLN, the state-owned sole buyer of electricity, is not releasing the PPA with the latest regulated tariff promulgated by the Ministry of Energy and Mineral Resources (ESDM). For that reason, frustratingly, we had to put the Sukarame construction on hold in 2016. Meureubo 2 (59 MW) has also progressed well with the Environmental Clearance obtained in February 2016. However, as announced earlier, additional delays have to be anticipated due to administrative disagreements with the National utility concerning the electricity sale contract (PPA) negotiation process.*

*For the second consecutive year, the financial results of the Group have been excellent. We shall keep actively investing the cash of the Group to cover part of the project development expenses.*

*While we look forward to growing the Company by allocating resources to such tangible, good-return, long-duration hydro assets, we still explore other investment possibilities to diversify our investments. We have started the prospection in Solar activities in 2015.”*

### **Detailed comments**

#### **Operational update:**

**In Indonesia**, the Group continued to develop and secure its portfolio. In September 2015, it announced, the beginning of the construction of Sukarame (7 MW). However this construction has been put on hold to date (see above and related press release). The Meureubo 2 (59MW) project, which is being developed through a consortium with PJB, an Indonesian State company wholly-owned by the national utility PT PLN, has also made progress toward the feasibility and the securing of rights. However, additional delays are expected as no agreement has been found to date with PLN on the procurement and PPA negotiation timing (see above and related press release). Furthermore, the Group is still developing various projects and conducting the environmental, social and technical feasibility studies including the Redelong hydropower project (18 MW), for the most advanced of them.

**In India**, the Group continued to develop the hydroelectric concessions obtained in 2007 in the State of Arunachal Pradesh with major steps achieved this year both on environmental and technical sides. Environmental Clearances (EC) and Forest Clearances (FC) have been obtained on the three projects, while Techno-Economic Clearances (TEC), the main required authorization to validate the project’s feasibility and expected levelized tariff, have been

obtained for both Heo (240 MW) and Tato-1 (186 MW) projects. Progress on Pauk (145 MW) continues at a pace commensurate with the technical characteristics of the project. Land status related issues are still slowing down the land acquisition process but VELCAN considers such process and ownership disputes settlement are the responsibility of the licensing Government. The concession contract provides for an extension of the development period in case of any delay which is not the responsibility of the developer. Negotiations for the update and the extension of the concession are ongoing with the Government of Arunachal Pradesh.

**In Brazil**, the Rodeio Bonito Hydropower plant (15 MW) recorded in 2015 its highest production since the beginning of the concession (75,655 MWh, ie a plant load factor – PLF - of 57%). The operating and financial performance of the plant in local currency was satisfactory but both consumed purchases, which include to a great extent (EUR 1.1m in 2015 vs EUR 1m in 2014) payments for the Energy Reallocation Mechanism or MRE (definition and explanation in the annual report), during the first semester, and the significant depreciation of the Brazilian Real (BRL), during the second semester, weighted on the EBITDA of the plant when converted in euro (down to EUR 1.8m against EUR 2.7m in 2014). On the bright side, after several years of an extreme drought that had affected the country since 2012, precipitation levels started to normalize from June 2015 onwards in the South of Brazil. This improvement in operating conditions is further compounded by good regulatory news. As a consequence, in the second half of 2015, payments by Velcan for the MRE (Energy Reallocation Mechanism) were significantly lower than in the first half and should be much lower in 2016.

**In Laos**, the group announced in September 2015 the disposal of its interest in its Nam Phouan and Nam Ang hydroelectric projects that had a cumulated capacity of 93 MW for a total sale consideration of USD 7 million. The capital gain realized had a significant impact on the net income and the cash flow of the Group in 2015. Velcan had been present in Laos PDR since 2009 and conducted extensive surveying and development work, resulting in techno-economic Feasibility Studies and Environmental and Social Impact Assessments for both projects. During this period, the Group obtained the clearance of the technical studies, the environmental clearances and a pre-concession agreement (PDA), giving exclusive framework to negotiate the power Purchase agreement (PPA) with Electricite Du Laos (EDL). The evolution of the local market since the Group entry in the Laotian market could not enable to invest at the initially expected Internal Rate of Return (IRR) and the Group changed its plans. Strategically, this transaction will allow Velcan to focus on the development of its other projects.

At the end of the 2015 fiscal year, the Group owns a concession portfolio of 803 MW (vs 896 MW in 2014), out of which 15 MW are under operation.

## **Financial statements**

### ***Income Statement:***

Turnover amounted to EUR 3.5m (against EUR 4.5m in 2014), of which EUR 3.5m from electricity sales. The turnover in local currency decreased slightly due to the reduction in Rodeio Bonito's ensured energy (-5%), however it decreased sharply in EUR due to the BRL depreciation (-18% on the 2015 EUR/BRL average rate compared to 2014).

The consumed purchased in Brazil (EUR -1.1m), i.e MRE payments (see above) and the decrease in the operating costs capitalized in 2015 had a material impact on operating costs, up from EUR -2.8m in 2014 to EUR -3.8m in 2015. Depreciation and amortization of tangible and intangible assets of Rodeio Bonito plant amounted to EUR 0.8m (EUR 0.9m in 2014), while the extraordinary 100% impairment on Sukarame and provisions on other projects capitalized amounted to EUR 3.0m.

Other operating Income (mainly constituted of the capital gain on the sale of the Laotian assets) amounted to EUR 3.0m.

Net Financial Income for the group amounted to EUR 6.6m in 2015 driven by the USD appreciation (10% compared to end of 2014) impact on the Group's cash and financial assets position. This income compares to EUR 6.3m in 2014.

The net income decreased from EUR 6.1m in 2014 FY to EUR 4.9m in 2015 FY (-19%).

Despite the decrease in the net income, the net gain on Laotian divestment enabled to increase significantly the Group's EBITDA (earnings before interests, taxes, depreciation and amortization) by 40% (EUR 2.7m in 2015 versus EUR 1.9m in 2014).

The significant depreciation of the BRL, despite the slight appreciation of the Indian Rupee (+6.7%) and the stabilization of the Indonesian Rupiah, weighted on other comprehensive income as the Group's main investments have been done in local currency (EUR -2.0m in 2015 against + EUR 3.6m in 2014). The total comprehensive income amounts to EUR 2.9m in 2015 against EUR 9.7m in 2014.

### ***Balance sheet:***

Net intangible assets are down by EUR 2.6m (mainly due to Sukarame impairment and Laos disposal) while tangible assets decreased by EUR 4.1m between 2014 and 2015, mainly because of the fall of the Brazilian currency (Rodeio Bonito Hydro power Plant being booked in BRL).

Cash, cash equivalent assets and financial assets have increased from EUR 93m in 2014 to EUR 101m in 2015 (+9%) due to the good financial performance and the net proceeds from the sale of the Laotian assets.

Finally total assets increased by 1.3% during 2015 FY (up by EUR 1.8 m).

Net current and non-current financial liabilities have decreased by EUR 1.5 m.

With a consolidated equity of EUR 130.5m (+EUR 3.0m compared to 2014), the Group still has no significant debt as of 31<sup>st</sup> December 2015.

**Foreseeable evolution of the Group:**

After the closing of this financial year, the Group is pursuing the following objectives as a priority for FY 2016:

- Signing the PPA and restarting the construction of the Sukarame Power Plant, in Indonesia
- Finalizing the development and conducting the viability studies of other concessions rights already obtained in India and Indonesia
- Progressing on its prospection in the Solar Power sector

The Board of Directors does not recommend that the Company pay a dividend for FY2015.

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## SUMMARY FINANCIAL STATEMENTS

### Balance Sheet

ASSETS (EUR '000)	2015	2014
<b>NON-CURRENT ASSETS</b>	<b>33 857</b>	<b>42 604</b>
Intangible Assets	19 572	22 146
Tangible Assets <sup>1</sup>	10 887	15 012
Non-Current Financial Assets	2 840	4 664
Other Non-Current Assets	558	782
<b>CURRENT ASSETS</b>	<b>99 430</b>	<b>88 928</b>
Current Financial Assets	38 485	46 652
Cash and Cash Equivalents	60 056	41 480
Other Current Assets	890	797
<b>TOTAL ASSETS</b>	<b>133 287</b>	<b>131 532</b>

LIABILITIES (EUR '000)	2015	2014
Equity (Group Share)	130 435	127 427
Minority interests	58	100
<b>TOTAL EQUITY</b>	<b>130 493</b>	<b>127 527</b>
<b>NON-CURRENT LIABILITIES</b>	<b>1 897</b>	<b>2 951</b>
<b>CURRENT LIABILITIES</b>	<b>898</b>	<b>1 054</b>
Bank Debt	-	-
<b>TOTAL LIABILITIES</b>	<b>133 287</b>	<b>131 532</b>

<sup>1</sup> Almost exclusively constituted of the Rodeio Bonito Hydro Power Plant asset

**Income Statement**  
**(EUR '000)**

	<b>2015</b>	<b>2014</b>
<b>Revenues</b>	<b>3 470</b>	<b>4 734</b>
<b>Amortizations, depreciations and Provisions</b>	<b>(3 828)</b>	<b>(1 036)</b>
<b>Ordinary Operating Result</b>	<b>(4 165)</b>	<b>871</b>
<b>Operating Result</b>	<b>(1 175)</b>	<b>1 001</b>
<b>Net Financial Income (Loss)</b>	<b>6 619</b>	<b>6 265</b>
<b>Tax Income (Expense)</b>	<b>(556)</b>	<b>(1 202)</b>
<b>Income – Minority Share</b>	<b>(48)</b>	<b>4</b>
<b>Net Income – Group Share</b>	<b>4 936</b>	<b>6 060</b>
<b>EBITDA</b>	<b>2 654</b>	<b>1 907</b>

### **About Velcan:**

Velcan develops and operates hydro power concessions in emerging markets with untapped potential. Hydro power can be an important contributor to the economic development of these countries. The Company focuses on hydro power concessions up to 200 MW. It is currently targeting India, Brazil and Indonesia for its investments. Management's foremost priority is to capture long-term returns from attractive hydroelectric assets in emerging countries at the lowest possible risk for the company and its shareholders.

As of April 2016, Velcan:

- Has built and operates its first hydroelectric concession in Brazil (15 MW),
- Owns rights related to hydroelectric concessions projects amounting to 803 MW in India, Brazil and Indonesia,
- Actively develops 146 MW of projects in Indonesia

Velcan has offices in Luxemburg, Singapore, New Delhi, Jakarta and São Paulo and maintains personnel on its concession sites.

Velcan is listed on the Paris Stock Market (Euronext Alternext/Ticker ALVEL/ISIN FR0010245803).

Velcan never performed any Public Offer as understood under Directive 2003/71/CE of the European Parliament and Council.

### **Disclaimer**

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*This press release contains prospective information about the potential of the projects in progress and/or of the projects of which the development has begun. This information constitutes objectives attached to projects and shall not be construed as direct or indirect net income forecast of the concerned year. Reader's attention is also drawn on the fact that the performance of these objectives depends on future circumstances and that it could be affected and/or delayed by risks, known or unknown, uncertainties, and various factors of any nature, notably related to economic, commercial or regulatory conjuncture, which occurrence could be likely to have a negative impact on future activity and performances of the Group.*

*This announcement does not constitute a public offering ("offre au public") nor an invitation to the public or to any qualified investor in connection with any offering. This announcement is not an offer of securities in the United States of America or in any other jurisdiction/country.*