

# VELCAN

**VELCAN**

Société Anonyme

RCS Luxembourg B145.006

**REPORT OF THE REVISEUR D'ENTREPRISES AGREE**

**AND**

**ANNUAL ACCOUNTS**

**FOR 2016 FINANCIAL YEAR**

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## LEGAL INFORMATION

Name: VELCAN, the “Company”.

Legal Form: Société Anonyme (Public Limited Company)

Registered office: 11 Avenue Guillaume  
L-1651 Luxembourg

Company Registration Number: RCS Luxembourg, B 145.006

Constitution : Company incorporated on 12 February 2009 by notarial deed of Maître Paul DECKER.

Listing: VELCAN is listed on the Paris Stock Exchange (Euronext Alternext ALVEL-FR0010245803). The Company never performed any Public Offer as understood under Directive 2003/71/CE of the European Parliament and Council.

Financial Year: From January 1<sup>st</sup> to December 31<sup>st</sup> of each year.

Board of Directors: Mr. Philippe PEDRINI, 81, rue de Pannebourg, B-6700 Waltzing, Belgique, Chairman of the Board

Mr. Jean-Luc RIVOIRE, 99 Emerald Hill Road, 229375 SINGAPOUR, Director

Mr. Antoine DECITRE, 27, Bukit Tunggal Road, 309712 SINGAPOUR, Director

Mrs. Véronique WAUTHIER, 15 rue de Saeul, L-8562 Schweich, Director

Mr. Didier SCHÖNBERGER, 47 rue du Château, F-57970, Inglise, Director.

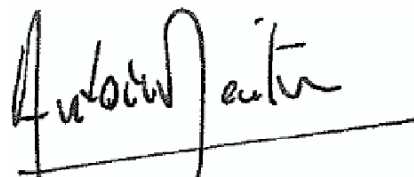
## PROPOSITION OF ALLOCATION OF THE RESULT

The net profit of 2016 financial year is mostly generated by the portfolio of financial assets. . It amounts to 4,880,930.92 Euro. The management is proposing following allocation:

**EUR**

Profit or loss brought forward	(8,591,239.27)
Profit or loss for the financial year	4,880,930.92
Allocation to the legal Reserve	-
Profit or loss to bring forward	<u>(3,710,308.35)</u>

We propose to approve annual accounts as presented below and to pursue the Company's activities.



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For the Board of Directors

## REPORT OF THE REVISEUR D'ENTREPRISES AGREE

To the Shareholders of  
VELCAN  
11, avenue Guillaume  
L-1651 Luxembourg

Following our appointment by the General Meeting of the Shareholders, we have audited the accompanying annual accounts of VELCAN, which comprise the balance sheet as at 31 December 2016 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Responsibility of the Board of Directors for the annual accounts*

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

### *Responsibility of the réviseur d'entreprises agréé*

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the réviseur d'entreprises agréé's judgement, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the réviseur d'entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.



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

*Opinion*

In our opinion, the annual accounts give a true and fair view of the financial position of VELCAN as at 31 December 2016, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Luxembourg, 27 April 2017

BDO Audit  
*Cabinet de révision agréé*  
represented by

A handwritten signature in black ink, appearing to be 'Daniel Hilbert', is written over a horizontal line.

Daniel Hilbert

## ABRIDGED BALANCE SHEET

Financial year from <sup>01</sup> 01/01/2016 to <sup>02</sup> 31/12/2016 (in <sup>03</sup> EUR )

VELCAN

11 Avenue Guillaume

L-1651 Luxembourg

## ASSETS

	Reference(s)	Current year	Previous year
<b>A. Subscribed capital unpaid</b>			
I. Subscribed capital not called	1101	0,00	0,00
II. Subscribed capital called but unpaid	1103	0,00	0,00
	1105	0,00	0,00
<b>B. Formation expenses</b>	1107	0,00	0,00
<b>C. Fixed assets</b>			
I. Intangible assets	1109	154 658 549,59	145 868 896,11
II. Tangible assets	1111	603,04	603,04
III. Financial assets	1125	0,00	5 756,35
	1135 3	154 657 946,55	145 862 536,72
<b>D. Current assets</b>			
I. Stocks	1151	1 979 388,58	6 132 329,18
II. Debtors	1153	0,00	0,00
a) becoming due and payable within one year	1163	331 773,24	290 539,05
b) becoming due and payable after more than one year	1203	331 773,24	290 539,05
III. Investments	1205	0,00	0,00
IV. Cash at bank and in hand	1189	0,00	4 209 324,83
	1197	1 647 615,34	1 632 465,30
<b>E. Prepayments</b>	1199	42 875,51	35 953,16
<b>TOTAL (ASSETS)</b>	201	156 680 813,68	152 037 178,45

**CAPITAL, RESERVES AND LIABILITIES**

	Reference(s)	Current year	Previous year
<b>A. Capital and reserves</b>			
I. Subscribed capital	1301 _____	301 <u>143 366 845,84</u>	302 <u>138 405 914,92</u>
II. Share premium account	1303 <u>4</u> _____	303 <u>7 805 442,00</u>	304 <u>7 797 442,00</u>
III. Revaluation reserve	1305 _____	305 <u>138 859 548,31</u>	306 <u>138 787 548,31</u>
IV. Reserves	1307 _____	307 <u>0,00</u>	308 <u>0,00</u>
V. Profit or loss brought forward	1309 <u>7</u> _____	309 <u>412 163,88</u>	310 <u>412 163,88</u>
VI. Profit or loss for the financial year	1319 _____	319 <u>-8 591 239,27</u>	320 <u>-4 376 477,02</u>
VII. Interim dividends	1321 _____	321 <u>4 880 930,92</u>	322 <u>-4 214 762,25</u>
VIII. Capital investment subsidies	1323 _____	323 <u>0,00</u>	324 <u>0,00</u>
	1325 _____	325 <u>0,00</u>	326 <u>0,00</u>
<b>B. Provisions</b>	1331 _____	331 <u>6 420,00</u>	332 <u>19 210,00</u>
<b>C. Creditors</b>	1435 _____	435 <u>13 307 547,84</u>	436 <u>13 612 053,53</u>
a) becoming due and payable within one year	1453 _____	453 <u>13 307 547,84</u>	454 <u>13 612 053,53</u>
b) becoming due and payable after more than one year	1455 _____	455 <u>0,00</u>	456 <u>0,00</u>
<b>D. Deferred income</b>	1403 _____	403 <u>0,00</u>	404 <u>0,00</u>
<b>TOTAL (CAPITAL, RESERVES AND LIABILITIES)</b>		405 <u>156 680 813,68</u>	406 <u>152 037 178,45</u>



**ABRIDGED PROFIT AND LOSS ACCOUNT**Financial year from <sup>01</sup> 01/01/2016 to <sup>02</sup> 31/12/2016 (in <sup>03</sup> EUR )**VELCAN****11 Avenue Guillaume****L-1651 Luxembourg****ABRIDGED PROFIT AND LOSS ACCOUNT**

	Reference(s)	Current year	Previous year
<b>1. to 5. Gross profit or loss</b>	1651	651 -1 511 350,91	652 -303 035,02
<b>6. Staff costs</b>	1605	605 0,00	606 0,00
a) Wages and salaries	1607	607 0,00	608 0,00
b) Social security costs	1609	609 0,00	610 0,00
i) relating to pensions	1653	653 0,00	654 0,00
ii) other social security costs	1655	655 0,00	656 0,00
c) Other staff costs	1613	613 0,00	614 0,00
<b>7. Value adjustments</b>	1657	657 647 784,90	658 -480 324,38
a) in respect of formation expenses and of tangible and Intangible fixed assets	1659	659 -5 756,35	660 -26 206,74
b) in respect of current assets	1661	661 653 541,25	662 -454 117,64
<b>8. Other operating expenses</b>	1621	621 0,00	622 -30,00

	Reference(s)	Current year	Previous year
<b>9. Income from participating interests</b>	1715	810 649,66	942 562,24
a) derived from affiliated undertakings	1717	810 649,66	942 562,24
b) other income from participating interests	1719	0,00	0,00
<b>10. Income from other investments and loans forming part of the fixed assets</b>	1721	782 370,17	718 959,52
a) derived from affiliated undertakings	1723	705 412,01	718 959,52
b) other income not included under a)	1725	76 958,16	0,00
<b>11. Other interest receivable and similar income</b>	1727	3 404 514,06	609 767,04
a) derived from affiliated undertakings	1729	2 733 762,33	0,00
b) other interest and similar financial income	1731	670 751,73	609 767,04
<b>12. Share of results of undertakings accounted for under the equity method</b>	1663	0,00	0,00
<b>13. Value adjustments in respect of financial assets and of investments held as current assets</b>	1665	827 346,75	-780 573,60
<b>14. Interest payable and similar expenses</b>	1627	-76 329,71	-4 908 536,50
a) payable to affiliated undertakings	1629	-9 897,68	-3 400 569,56
b) other interest payable and similar expenses	1631	-66 432,03	-1 507 966,94
<b>15. Tax on profit or loss</b>	1635	0,00	-3 210,00
<b>16. Profit or loss after taxation</b>	1667	4 884 984,92	-4 204 420,70
<b>17. Other taxes not shown under items 1 to 15</b>	1637	-4 054,00	-10 341,55
<b>18. Profit or loss for the financial year</b>	1669	4 880 930,92	-4 214 762,25

**NOTES TO THE ANNUAL ACCOUNTS**  
**FOR THE FINANCIAL YEAR 2016**

**1. ACTIVITY AND OBJECTS**

The Company can engage in all commercial activities relating directly or indirectly to the acquisition of participations in any form whatsoever, in any enterprise either with a legal status of corporation by shares or with a legal status of partnership, as well as the administration, management, control and development of these participations.

It may use its funds for the setting-up, management, development and liquidation of a portfolio consisting of any kind of securities, to participate in the founding, development and control of any enterprise, to acquire by way of capital contribution, subscription, underwriting or purchase option or any other way, any securities, to sale, transfer, exchange those securities, to grant support, loans, advances or guarantees to any company in which it has a direct or indirect interest.

It may also proceed with the acquisition, management, operation, sale or lease of any property, furnished or unfurnished and generally engage in any and all real estate operations with the exception of those of property dealers and investment and cash management in the Grand Duchy of Luxembourg or abroad.

In general, the Company may carry out any property, movable, immovable, commercial, industrial or financial operations, as well as all transactions and operations to promote and facilitate directly or indirectly the achievement of its objects or its extensions.

VELCAN is the parent company of a group owning a wide array of financial and industrial assets. VELCAN through its various subsidiaries is actively involved in the financial markets. It owns bonds, equities and not listed investments in a variety of countries and in a variety of currencies. VELCAN is also developing, financing, building and operating hydro power concessions in Brazil, India, and Indonesia. Its shares are listed on the Paris stock exchange (Euronext – Alternext).

VELCAN is preparing consolidated financial statements. The consolidation scope of VELCAN is the smallest and largest body of undertakings of which VELCAN is part and which is preparing consolidated financial statements. These consolidated financial statements are available at:

VELCAN  
11, Avenue Guillaume  
L-1651 Luxembourg

## NOTES TO THE ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2016

### **2. ACCOUNTING PRINCIPLES**

#### **2.1. General Principles**

The annual accounts are prepared in accordance with Luxembourg legal and regulatory requirements and generally accepted accounting practices (GAAP).

The Law of 18 December 2015, amending the Law of 19 December 2002 on the Register of Commerce and Companies and the accounting and annual accounts of undertakings, and the Grand-Ducal Regulation as of the same date, have revised the layout of the balance sheet and profit and loss account.

To apply these new provisions, the allocation of accounts and the presentation of the annual accounts as of 31 December 2016 have been modified. In order to ensure comparability, the previous year's figures have been reclassified in the same way, without any impact on the result for the financial year 2015.

#### **2.2. Foreign Currency Translation**

The Company maintains its accounting in Euro (EUR) and the balance sheet and the profit and loss are expressed in that currency.

On the balance sheet date, non-monetary items denominated in a currency other than the reporting currency are translated at historical exchange rates.

Monetary balance sheet items denominated in a currency other than the reporting currency are valued based on the exchange rate in effect at the date of the balance sheet. However under the principle of prudence, only translation differences related to losses are recognized in profit and loss; unrealized gains are deferred.

#### **2.3. Financial Assets**

The financial assets mainly consist of shares in affiliated undertakings, as well as of loans granted to affiliated undertakings and deposits.

The shares in affiliated undertakings are recorded at cost. At the closing date of the year, the Board of Directors estimates the fair value of such shares and books a value adjustment if the impairment value is deemed permanent.

Loans in financial assets are booked at their nominal value. A value adjustment is booked if the Board of Directors estimates that the repayment at maturity is fully or partly uncertain or compromised.

Deposits are recorded at their nominal value.

#### 2.4. Receivables

Receivables in current assets are recorded at their nominal value. A value adjustment is booked if the Board of directors assessed that the repayment at maturity is wholly or partly uncertain or compromised.

#### 2.5. Cash

Cash at bank, cash in postal cheque accounts, cheques and cash in hand are recorded at their nominal value.

#### 2.6. Debts

Debts are recorded at their nominal value.

#### 2.7. Transferable securities and other financial instruments

Transferable securities and other financial instruments are recorded at their acquisition value. At the financial year closing date, an impairment is recorded when the fair value assessed is less than the acquisition price. Unrealized gains are not recognized.

**NOTES TO THE ANNUAL ACCOUNTS  
FOR THE FINANCIAL YEAR 2016**

**3. FINANCIAL ASSETS**

<b>EUR</b>	<b>Shares in affiliated undertakings</b>	<b>Amounts owed by affiliated undertakings</b>	<b>Securities held as fixed assets</b>	<b>Other: loans and claims held as fixed assets</b>	<b>Total</b>	<b>Reference to profit or loss captions</b>
Nominal value/Historical cost as at January 1, 2016	145,461,315.69	13,710,414.90	0.00	19,000.00	159,190,730.59	
Current year additions	5,192,754.02	705,412.01	10,000.00	1,535,760.50	7,443,926.53	
Current year disposals/Reimbursements	0.00	-2,209,624.42	0.00	0.00	-2,209,624.42	
Foreign currency impacts	0.00	3,527,574.31	0.00	0.00	3,527,574.31	11 a ; 13
Transfer	0.00	0.00	0.00	0.00	0.00	
Nominal value/Historical cost as at December 31, 2016	150,654,069.71	15,733,776.80	10,000.00	1,554,760.50	167,952,607.01	
<b>Value adjustments</b>						
Accumulated depreciation as at January 1, 2016	-5,308,152.93	-8,020,040.94	0.00	0.00	-13,328,193.87	11 a ; 13
Current year allowance	0.00	-7,194.46	0.00	-746,699.85	-753,894.31	11 a ; 13
Current year reversal	130,985.02	1,443,061.58	0.00	0.00	1,574,046.60	11 a ; 13
Foreign currency impacts	0.00	-786,618.88	0.00	0.00	-786,618.88	11 a ; 13
Transfer	0.00	0.00	0.00	0.00	0.00	
Accumulated depreciation as at December 31, 2016	-5,177,167.91	-7,370,792.70	0.00	-746,699.85	-13,294,660.46	
<b>Net book value as of January 1, 2016</b>						
	140,153,162.76	5,690,373.96	0.00	19,000.00	145,862,536.72	
<b>Net book value as of December 31, 2016</b>						
	145,476,901.80	8,362,984.10	10,000.00	808,060.65	154,657,946.55	

Directors :

**VELCAN**

**NOTES TO THE ANNUAL ACCOUNTS  
FOR THE FINANCIAL YEAR 2016**

**Detail of Shares in companies above 20% of controlling interests (in EUR)**

Company Name	Country/ Functionnal Currency	Percentage of holding as of 31/12/16	Financial Year Closing Date	statutory' s profit/loss in local currency	statutory' s net shareholder's equity 31/12/16 in local currency (*)	Net book value in VELCAN books in 31/12/16
Velcan Energy Mauritius Limited	Mauritius/ EUR	100%	31/12/2016	3 769 413.71	132 252 338.02	120 000 000
Velcan Energy Singapore	Singapore/ SGD	100%	31/12/2016	84,723.14	25,300,425.15	16 456 850
Rodeio Bonito Hidrelétrica	Brazil/ BRL	99,99%	31/12/2016	5,931,932.98	28,843,772.51	9 020 050
Velcan Desenvolvimento Energetico Do Brasil	Brazil/ BRL	99,99%	31/12/2016	(380,873.24) **	(7,605,521.38) **	1.00
Quebra Dedo Hidreletrica	Brazil/ BRL	99%	31/12/2016	0 ***	(657,252.37) ***	1.00
Pirapetinga Hidreletrica	Brazil/ BRL	99%	31/12/2016	0 ***	(694,055.11) ***	0.00
Ibituruna Hidreletrica	Brazil/ BRL	99%	31/12/2016	0 ***	(649,790.39) ***	0.00
Velcan Energy Holdings (Dubai) Ltd	UAE/ AED	100%	31/12/2016	(23,966,486.11)	(25,466,409.59)	0.00

\* The net income of 2016 Financial Year is included in the net shareholder's equity

\*\* Non audited

\*\*\* Non audited dormant company, hence the figures shown are extracted from the figures of the entity's consolidation contribution



**NOTES TO THE ANNUAL ACCOUNTS**  
**FOR THE FINANCIAL YEAR 2016**

**4. SUBSCRIBED CAPITAL**

Date	Description	Number of shares	Nominal value per share	Subscribed capital
1 January 2016	Opening subscribed capital	7 797 442	1.00 €	7 797 442.00 €
8 January 2016	Stock option exercised: -8 000 Option 2013 N°1	8 000	1.00 €	8 000.00 €
31 December 2016	Closing subscribed capital	7 805 442	1.00 €	7 805 442.00 €

As at 31 December 2016, the subscribed capital amounts to EUR 7,805,442.00 represented by 7,805,442 fully issued and subscribed shares with a nominal value of EUR 1 each. The authorized share capital amounts to EUR 30,000,000.00 represented by 30,000,000.00 shares with a nominal value of EUR 1 each.

**5. BENEFICIARY SHARES AND VOTING RIGHTS**

Beneficiary Shares (also sometimes known as Founders' Shares) are issued by the Company, in accordance with Article 37, paragraphs 1 and 2 of the Luxembourg Law of 10th August, 1915 on commercial companies. Those Beneficiary Shares are different from ordinary shares as they do not give access to the Company's share capital. As provided for in article 7.7 of Velcan SA's Article of Association, one Beneficiary Share gives one voting right to its owner in the Company's General Meetings. One Beneficiary Share is allocated to the shareholder each share continuously registered under the shareholder's name in the nominative register held directly by the custodian specially appointed by the Company for at least 4 years. A second Beneficiary share is allocated to the shareholder of each share continuously registered under the shareholder's name in the nominative register held directly by the custodian specially appointed by the Company for at least 6 years. As a result, the total number of voting rights in the company, existing at 31<sup>st</sup> December, 2016, is as follow: 11,886,089.



**NOTES TO THE ANNUAL ACCOUNTS  
FOR THE FINANCIAL YEAR 2016**

**6. STOCK OPTIONS AND EQUITY WARRANTS**

The Company has put in place a stock option and warrant plan under which equity warrants and stock options are allocated to employees, management of contractors of the Company.

**Equity warrants**

Date of Board of Director's meeting	09.12.2009	03.01.2011	23.04.2013	23.04.2013	20.08.2015
Total number of equity warrants allocated	390,000	6,000	434,600	8,000	3,200
Number of equity warrants existing on 31/12/2016	390,000	4,000	407,600	8,000	3,200
Number of equity warrants exercisable on 31/12/2016	390,000	4,000	17,600	8,000	1,600
Number of equity warrants exercised on 31/12/2016	-	2,000	750	-	-
Allocation date	09/12/2009	03/01/2011	23/04/2013	23/04/2013	20/08/2015
Expiry date	31/12/2017	03/01/2021	23/04/2023	23/04/2023	20/08/2025
Subscription price in euros	8.25 €	12.00 €	10.00 €	21.40 €	9.50 €

One equity warrant gives right to apply for one share.

**Stock option plans**

Date of Board of Directors Meeting	29.05.2007	27.02.2008	20.02.2009	09.04.2010	03.01.2011	21.03.2012	22.04.2013	20.08.2015
Total number of options allocated	6,000	74,500	77,500	22,000	21,000	12,000	35,800	24,850
Number of options existing as at 31/12/2016	5,000	1,000	5,000	2,500	10,000	8,000	21,800	24,100
Number of options exercisable as at 31/12/2016	5,000	1,000	5,000	2,500	2,500	8,000	14,300	9,800
Number of options exercised as at 31/12/2016	-	-	12,000	200	-	-	8000	-
Allocation date	29/05/2007	27/02/2008	20/02/2009	09/04/2010	03/01/2011	21/03/2012	22/04/2013	20/08/2015
Expiry date	29/05/2017	27/02/2018	20/02/2019	09/04/2020	03/01/2021	21/03/2022	22/04/2023	20/08/2025
Subscription price in Euros	22.16 €	27.70 €	7.50 €	8.70 €	12.00 €	10.50 €	10.00 €	9.50 €

One stock option gives right to apply for one share.

Directors :

VELCAN

**NOTES TO THE ANNUAL ACCOUNTS**  
**FOR THE FINANCIAL YEAR 2016**

**7. LEGAL RESERVE**

As required by law in Luxembourg, 5% of the Company's net result for the year (less accumulated losses brought forward if any) shall be allocated to a legal reserve whenever it is a net profit.

This allocation ceases to be mandatory when the reserve reaches 10% of paid up capital. The legal reserve is not available for dividend distribution.

**8. TAX RATE**

The Company is fully taxable at a maximum rate of 29.22% on its net income. The Company is also liable to the Luxembourg Wealth Tax at the rate of 0.5%, calculated on the basis of its net equity at the beginning of the following financial year.

**9. OFF BALANCE SHEET COMMITMENT**

The Company has pledged a bank deposit for a total amount of USD 1,660,000 (converted as at 31 December 2016: EUR 1,577,167.18) to guarantee for commitments of a Board member towards the bank (amounting to EUR 1,125,000).

The Company has issued letter of support to affiliated undertakings which could require it to provide financial support in the form of working capital contribution during the year in order that those affiliated undertakings continue to operate on a going-concern basis.

**10. RELATED PARTY TRANSACTIONS**

In the context of the pledge mentioned in Note 9, the Company has also granted to this Board member a loan facility for a total amount of EUR 1,125,000; drawings bear interest of 5% per annum. As at 31 December 2016, the facility remained unused.

Furthermore, the Company has paid management fees to Luxembourg Hydro Power S.A., a company related to several Board members, for a total amount of EUR 483,012 and has reimbursed travel expenses to Luxembourg Hydro Power S.A for EUR 76,508.98.

**11. SUBSEQUENT EVENTS**

The Board of Directors has no knowledge of significant subsequent event which could have a significant impact on the Company's financial statements or which could affect the continuity of operations.