

VELCAN

Consolidated Financial Statements as of 30th June 2015 (Unaudited)

Velcan S.A.

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Euronext Alternext - ALVEL

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION (ASSETS)

Thousands of Euros

Assets	30.06.2015	31.12.2014
Non current assets		
Intangible assets	24,945	22,146
Tangible assets	13,671	15,012
Non current financial assets	3,353	4,664
Other non current assets	0	-
Deferred tax assets	782	782
Total non-current assets	42,750	42,604
Current assets		
Current financial assets	54,765	46,652
Inventories	14	12
Trade and other receivables	308	330
Income tax receivables	121	122
Other current assets	399	332
Cash and cash equivalents	41,753	41,480
Total current assets	97,361	88,928
Total assets	140,111	131,532

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (LIABILITIES)

Thousands of Euros

Liabilities	30.06.2015	31.12.2014
Equity		
Issued capital	7,792	7,791
Additional paid in capital	139,657	139,651
Other reserves and conversion reserves	(18,252)	(26,074)
Net income for the year	6,526	6,060
Equity attributable to the equity holders of the parent	135,722	127,427
Non-controlling interests	90	100
Total Equity	135,812	127,527
Non current liabilities		
Non-current financial liabilities	0	1,210
Non current provisions	904	827
Other non current liabilities	1,000	914
Total non-current liabilities	1,905	2,951
Current liabilities		
Current financial liabilities	1,720	361
Current provisions	31	31
Trade and other payables	414	441
Income tax payables	212	210
Other current liabilities	18	12
Total Current Liabilities	2,395	1,054
Total Liabilities	140,111	131,532

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME
Thousands of Euros

Statement of Profit & Loss	30.06.2015	30.06.2014
Operating revenues	1,966	2,465
Other operating revenues	0	-
Total operating revenues	1,966	2,465
Purchases	(862)	(989)
External expenses	(629)	(725)
Payroll expenses	(223)	(357)
Operating tax expenses	(4)	(9)
Depreciation, Amortization & Provisions	(695)	(429)
Current operating result	(447)	(44)
Other operating income	-	95
Other operating expenses	(15)	-
Operating result	(462)	51
Financial Income	8,367	2,611
Financial expenses	(1,148)	(1,257)
Financial Result	7,219	1,353
Income tax expense (-) / benefit (+)	(243)	(185)
Net result from continuing operations	6,515	1,219
Net result, group share	6,526	1,224
Net result, shares of non-controlling interests	(11)	(4)
Earnings per share (in Euros)	1.09	0.20
Diluted earnings per share (in Euros)	1.06	0.20
EBITDA	247	385
Statement of total comprehensive Income	30.06.2015	30.06.2014
Net income	6,515	1,219
Exchange difference arising in translation of foreign operations	1,901	2,113
Total Comprehensive Income	8,416	3,333
thereof attributable to non-controlling interests	10	3
Group Total Comprehensive income	8,426	3,336

Consolidated Financial Statements (Unaudited) at 30th June 2015

COMMENTS ON CONSOLIDATED FINANCIAL STATEMENTS

1. COMPANY PRESENTATION

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's strategy is to become a market leader in hydro power concessions up to 200 MW. It is currently targeting India, Brazil, Laos and Indonesia for its investments.

As of August 2015, Velcan:

- Has built and operates its first hydroelectric concession in Brazil (15 MW),
- Owns rights related to hydroelectric concessions projects amounting to 896 MW in India, Brazil Indonesia and Laos,
- Owns two pre-concessions in the Lao PDR for a total of 93 MW,
- Develops actively, jointly with a subsidiary of PLN and a local partner, a 59 MW hydroelectric project in Indonesia.

Velcan has offices in Luxemburg, Singapore, New Delhi, Vientiane, Jakarta and Saõ 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.

2. MANAGEMENT COMMENTS / COMMERCIAL AND FINANCIAL MATTERS

Velcan Energy's turnover in the first half of 2014 (H1 2014) amounted to EUR 2.0m arising from sales of electricity by the Rodeio Bonito Hydro Power Plant (HPP) in Brazil. It was down by 20% when expressed in Euros relative to H1 2014 due to a sharp depreciation of the BRL. It was stable when expressed in Brazilian Real (BRL).

Operating costs were down by 21% relative to H1 2014 thanks to ongoing strict cost control. Operating result was negative (EUR -0.5m), impacted by purchases in Brazil (see below comments by zone of activity).

EBITDA for H1 2015 remained positive at EUR 0.2m.

Net financial income for H1 2015 was EUR +7.2m vs. EUR a gain of EUR +1.4m in H1 2014.

Net result, Group share, was therefore a profit of EUR 6.5m vs. a gain of EUR 1.2m in H1 2014.

Shareholders equity amounts to EUR 135.8m at 30th June 2015 vs. EUR 127.5m at 31 December 2014.

The number of Treasury shares is up slightly compared to 31st December 2014 (1,821,132 shares vs 1,796,034 as of December 2014). The net number of outstanding shares amounts to 5,970,810.

Book value per outstanding share is thus EUR 22.75, up 7% compared to 31st December 2014.

On 8th April 2015, the Group announced that the Indian Ministry of Environment, Forests and Climate Change has approved the Environmental Clearance for the Heo (240MW), the Tato-I (186MW) and the Pauk (145MW) Hydro Electrical Projects, a cascade of three projects totaling 571 MW on the Yarjep River that Velcan has been developing since 2007.

Comment by zone of activity:

In Brazil, purchases (EUR -0.9m) include to a great extent payments for the MRE (Energy Reallocation Mechanism). This scheme compels its members to compensate production shortfalls relative to an historical average. If the aggregate Brazilian hydroelectricity production undershoots a certain level, the impact on Rodeio Bonito HPP can be negative. The reform enacted in 2013, following the severe drought of 2012 provides that all agents of the electricity market and members of the MRE contribute to the incremental cost of thermo-electrical generation. Conversely, overproduction by a specific facility and/or the hydroelectric sector in aggregate will increase the turnover of the HPP. During H1 2015, Rodeio Bonito HPP and Brazil in general have again contended with hydrology levels well below historical averages, triggering significant payments to the MRE. A recent judicial development may change the rule in Brazil. A number of Independent Power Producer (IPP) have contested the way used by the regulatory authorities to calculate the extra charges of the MRE. They have won a first interim judgement in June 2015 and therefore cannot be invoiced for these MRE extra charges. The Regulator has since tried to invoice other participants (including Velcan Energy) for those extra charges not being supported anymore by the aforementioned IPPs. This has had a very material impact on MRE payments expensed as purchases. We have challenged this decision in court and have won an interim order. All these matters will have now to be fully investigated and brought to trial. It may take years for a full judgement to be given. For further detail on the ensured energy mechanism can be found the Annual Report 2014.

In India, the Group continued to develop the hydroelectrical concessions obtained in 2007 in the State of Arunachal Pradesh with major steps achieved as described herein. Velcan is confident that the Techno-Economic Clearances (TEC) will be granted in the short-term for Tato-1 (186 MW). Progress on Pauk (145 MW) continues at a slower pace, commensurate with the Project's specific technical and administrative characteristics.

In Laos, the group continues the development of Nam Phouan (52 MW) and Nam Ang (41 MW) projects. The PPA will be a crucial element in raising the necessary debt for starting construction of both projects.

The Group continues to develop and secure its portfolio of Indonesian projects, in particular the Meurebo 2 (59MW) project, which is being developed through a consortium with PJB, an Indonesian State company.

3. COMMENTS ON THE FINANCIAL STATEMENTS

3.1. EFFECTIVE FOREIGN EXCHANGE RATES

1 € =	30.06.2015		31.12.2014		30.06.2014	
	Closing rate	Average rate	Closing rate	Average rate	Closing rate	Average rate
BRL (Brazilian Real)	3.51	3.32	3.27	3.13	2.91	2.67
INR (Indian Rupee)	70.83	70.29	77.47	81.09	77.65	72.29
AED (Dirham UAE)	4.08	4.11	4.47	4.88	4.78	4.83
USD (US Dollar)	1.11	1.12	1.22	1.33	1.30	1.31
SGD (Singapore Dollar)	1.50	1.51	1.61	1.68	1.65	1.63
IDR (Indonesian Rupiah)	14,835	14,528	15,139	15,756	12,948	12,835

3.2. COMMENTS ON THE BALANCE SHEET

ASSETS

Intangible Assets

The Group continued to develop its concessions in India, Laos and Indonesia (EUR +2.8m of gross intangible assets in H1 2015). The positive effect of currency fluctuations (EUR +1.3m) net of amortization and provisions (EUR - 0.3m) therefore prompted intangible assets to accrue by EUR 1.8m (to EUR 24.9m vs. EUR 22.1m at 31st December 2014).

Tangible Assets:

Tangible assets were down to EUR 13.7m at 30th June 2015 versus EUR 15.0m at 31st December 2014, a decrease of EUR 1.3m. This variation is the net result of, on one hand, the decrease of the Brazilian Real on the book value of Rodeio Bonito expressed in Euros (EUR -0.9m) and, on the other hand, the depreciation expense of that same asset (EUR -0.4m).

Cash, Cash Equivalents & financial assets:

These assets grew by EUR 7.1m as a result of the Group's positive financial performance (net financial income of EUR 7.2m for the period). This good financial performance is strongly related to the appreciation of the US Dollars as most of the Group's Cash, Cash Equivalents and financial assets are held in USD.

Financial instruments are mainly composed of bonds (EUR 41.8m), equities and derivatives while the cash is invested in short-term fixed deposits and current account (EUR 39.0m).

LIABILITIES

Non-current provisions :

Non-current liabilities (EUR 0.9m) are broadly stable at constant exchange rates and stem from unresolved disputes relating to the Group's past ownership of Biomass facilities in India.

Financial current and non-current liabilities:

Financial current liabilities amount to EUR 1.7m at 30th June 2015 vs. EUR 1.6m at 31st December 2014 (EUR +0.1m). These relate mainly to derivative transactions.

Other non-current liabilities:

Other non-current liabilities (EUR 1.0m) are broadly stable at constant exchange rates and stem from advances made to the group and whose reimbursement are contingent to conditions that are not met at this date.

3.3. COMMENTS ON THE INCOME STATEMENT

EBITDA continued to be positive during H1 2015 (EUR 0.2m vs. EUR 0.4m in H1 2014). Net result, Group Share, was a gain of EUR 6.5m vs. a gain of EUR 1.2m previously.

CURRENT OPERATING PROFIT :

Turnover :

Velcan's turnover amounted to EUR 2.0m in H1 2015 arising from sales of electricity by the Rodeio Bonito Hydro Power Plant (HPP) in Brazil. It was down by 20% when expressed in Euros relative to H1 2014 due to a further sharp BRL depreciation but it was stable when expressed in Brazilian Real (BRL).

Purchases:

Purchases were down (EUR -0.9m compared to EUR -1.0m in H1 2014). However MRE payments attributed to Rodeio Bonito operating concession in Brazil were up from EUR -0.3m in H1 2014 to EUR -0.9m in H1 2015 (see comment above).

Operating costs:

Operating costs (external & payroll expenses) were down by 21% relative to H1 2014 (- 0.9m VS -1.1m in H1 2014).

Depreciation, Amortization and Provisions, Provision write-backs:

Depreciation and amortization of tangible and intangible assets amounted to an expense of EUR -0.7m. This expense was mainly attributable to Rodeio Bonito HPP (EUR -0.5m).

Operating result was a loss of EUR -0.5m compared to a loss of -0.0m in H1 2014

FINANCIAL INCOME

Net financial income for H1 2015 was significantly positive at EUR 7.2m vs a gain of EUR 1.4m in H1 2014. It remains largely dependent on the Foreign exchange variations of the currencies the Group is invested in (US Dollar mainly). Interest rates in the Eurozone and in the US are still weak and interest income remains thus very low although the Group is trying to diversify its investment portfolio in order to improve its average yield.

COMPREHENSIVE INCOME

Comprehensive Income for H1 2015 amounted to EUR 8.4m vs. EUR 3.3m in H1 2014. The impact of currency fluctuations on Group equity was EUR +1.9m. This positive variation is mainly due to stronger US dollar and Singapore Dollar and stronger emerging market (IDR and INR) currencies when compared to EUR which impacted the book value of intangible assets booked in those currencies in local companies and related to projects under development (Indian projects in particular).

4. SIGNIFICANT EVENTS AFTER 30TH JUNE 2015

On 31st July 2015, the Group announced that the Indian Central Electricity Authority has issued the Techno-Economic Clearance for Heo Hydro Electric Power Project (240 MW). Heo HEP Project is the largest and most advanced of the Group's Indian projects.

On 31st August 2015 Velcan announced that Ian McAlister has joined the senior management of the Group as Technical Director.