VELCAN Holdings

PROSPECTUS

Listing of Velcan Holdings S.A. Shares On the Luxembourg EURO MTF Market By transfer from Euronext Growth Paris

17th December 2019

VELCAN HOLDINGS S.A.
Société Anonyme with a capital of € 5 830 820
RCS Luxembourg, B 145.006
11, avenue Guillaume
L-1651 Luxembourg

NOTICE TO READERS

This prospectus (the "**Prospectus**") provides information in relation to the admission to trading on the EURO MTF market (the "**EURO MTF**") of the Luxembourg Stock Exchange (the "**Luxembourg Stock Exchange**") which constitutes a non-regulated market for the purposes of Directive 2014/65/UE of the European Parliament and of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments (the "**MiFID II**"), which therefore are not complied with by this Prospectus and the rest of Velcan Holdings S.A. (the "**Company**")'s available documentation.

This Prospectus does not constitutes a prospectus for the purposes of article 6.3 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading (the "**Prospectus Regulation**"). This Prospectus has been prepared in compliance with article 62 of the Luxembourg law of 16 July 2019 on prospectuses for securities (*loi du 16 juillet 2019 relative aux prospectus pour valeurs mobilières*) implementing the Prospectus Regulation in Luxembourg.

This Prospectus has not been approved by the Commission de Surveillance du Secteur Financier (the "**CSSF**"), the Luxembourg financial sector supervisory authority in its capacity as the competent authority in Luxembourg. However, it has been approved by the Luxembourg Stock Exchange.

The Company does not make any share offering under this Prospectus or any other document. The Company has never conducted any public offering and has therefore never obtained any approval from any market regulator. The purpose of this document is not to solicit the purchase or sale of securities and this document shall in no way constitute a subscription offer.

The application has been made to the Luxembourg Stock Exchange for the listing on EURO MTF of 5,830,820 ordinary shares (ISIN code FR0010245803) with an accounting par-value of € 1 each, representing the entire share capital of the Company (the "**Shares**"), and issued by the Company under the laws of the Grand Duchy of Luxembourg, in particular the law of 10 August 1915 on commercial companies, as amended (the "**Company Law**"). As of the date of publication of this Prospectus, the Shares are listed on Euronext Growth Paris, and they are to be admitted on the Euro MTF on the date of this Prospectus. After a one month double listing period, the Shares will be delisted from Euronext Growth, so that the Shares will be listed exclusively on the Euro MTF.

This Prospectus may contain prospective data related to the potential of ongoing projects or projects of which the development is under progress. This information represents objectives related to projects and should not be interpreted as direct or indirect profit forecasts. The realization of these objectives depends on future circumstances and could be affected and/or delayed by known or unknown risks, uncertainty and various factors of all kind, especially linked to the economic, commercial or regulatory context, and that, in case of occurrence, could have a negative impact on the activity and the future performances of the Velcan Group of companies (the "**Group**").

Neither the admission to trading nor the approval of the document by the Luxembourg Stock Exchange shall constitute a warranty or representation by the Luxembourg Stock Exchange as to the adequacy of the information contained in this Prospectus or the suitability of the Company for investment purposes.
Investing in the Shares involves certain risks. For more information see the section 5.6 of the Prospectus.

The Shares have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state of the United States, and may not be offered or sold within the United States unless the Shares are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available.

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2.3	Annual report 2016	Prospectus appendix 3
3.2.2	Document about the 2014 merger	http://www.velcan.lu/wp-content/uploads/2015/07/Document-information-Fusion-mai-2014.pdf
4.2.6	Share buyback programs daily reports	http://www.velcan.lu/investors/other-regulated-information/
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1. EXECUTIVE SUMMARY

About the Company	The Company is a Luxembourg headquartered investment holding company founded in 2005, operating as an independent power producer in India and Brazil and managing a global portfolio of financial assets. The Company owns and operates a 15MW hydropower plant in Brazil that it developed and built in 2009. Following the divestment of smaller hydropower projects previously developed by the Group in Lao PRD and Indonesia, the Group pursues the development of a cascade of hydropower concessions located in India and totalling 571 MW, which it has been developing since 2007. Such project is complex and long-term, like all large infrastructure projects of this type in India. Meanwhile the Company actively manages its treasury, by investing in listed and unlisted financial investments.
Operation contemplated under this Prospectus	Transfer of the listing of all issued Company's Shares from Euronext Growth Paris to the EURO MTF, operated by the Luxembourg Stock Exchange. The transfer will be performed through a one month double listing period. The Company does NOT issue or place any kind of new securities under this Prospectus or any other document.
Operation Background	The Company operates a niche and long-term industrial project, and does not anticipate any fundraising, issuance of securities or other financing on the stock markets in the short / medium term. The Company is incorporated in Luxembourg and operates under Luxembourg law, with no operation and no offices in France. The Company intends to centralize its corporate life in Luxembourg. Also, considering its size and share liquidity, EURO MTF appears to be the most appropriate market for the Company Shares.
Operation regulatory framework	Like Euronext Growth Paris, EURO MTF is NOT a regulated market. This Prospectus has not been approved by the CSSF, the Luxembourg financial sector supervisory authority. However it has been approved by the Luxembourg Stock Exchange.
Shares to be listed	5,830,820 with a par value of 1 euro each, which represent 100% of the issued and paid up capital.
ISIN Number	FR0010245803
Current listing of Shares	Shares are currently listed on Euronext Growth Paris and will be delisted from such market after one month of double listing, so that the Shares will thereafter be listed exclusively listed on the Euro MTF.
Date of listing on EURO MTF	17th December 2019
Date of delisting from Euronext	20th January 2020 (last trading day on Euronext is 17th January 2020)
Basic consolidated financial information as of 31/12/2018 In million euros	▪ Turnover: 2.6 ▪ EBITDA: -1.6 ▪ Net result: 0.5 ▪ Cash & fin. assets: 98 ▪ Equity: 118
Other corporate documents	www.velcan.lu

2. Information concerning those responsible for the Prospectus and the auditing of accounts

2.1 Persons responsible for the Prospectus.

Mr. Philippe Pedrini, Chairman of the board of directors of the Company (the "**Board of Directors**");
Mr. Jean-Luc Rivoire, Director; and
Mr. Antoine Decitre, Director.

2.2 Statement from the persons responsible for the Prospectus

The information contained in this Prospectus is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

2.3 Auditor (*Réviseur d'entreprises agréé*)

BDO Audit, SA. 1, rue Jean Piret, BP 351 – L2013 Luxembourg, RCS Luxembourg B147.570

BDO Audit has audited the financial statements of the Company as follows:

- Financial year 2016: statutory accounts (Lux GAAP) and consolidated accounts (IFRS).
- Financial year 2017: statutory accounts (Lux GAAP) and consolidated accounts (IFRS).
- Financial year 2018: statutory accounts (Lux GAAP).

The above mentioned audited financial statements and audit reports are available under appendix 1, 2 and 3 of the Prospectus.

In accordance with the company Law of 10th August 1915, as amended, both the Company and the Group (including all the Company's subsidiaries), given their size in terms of turnover and number of employees[1], are not subject to any obligation to prepare consolidated financial statements.
In accordance with the EU regulation (CE) N.1606/2002 dated 19th July 2002, the Company, given it is not listed on a Regulated Market[2], is not subject to any obligation to prepare IFRS consolidated financial statements.
There are no regulations imposing to the Company the establishment of consolidated financial statements. However, the full and audited IFRS consolidation was adopted by the Group voluntarily until 2018 included. Considering the significant mobilization of resources and extra-costs it entails, the Company has decided to stop the establishment of audited IFRS consolidated financial statements. The Company however keeps publishing consolidated financial statements, being a balance sheet, an income statement, and a statement of changes in equity, but unaudited and in a simplified and condensed form, excluding IFRS notes. Neither the Company nor any of its subsidiaries included in such consolidation are listed on a Regulated Market.
The Company also continues to publish its audited statutory financial statements in compliance with Lux GAAP accounting standards.

[1] Neither the Company individually, nor the Group aggregating all its subsidiaries crosses two of the following three thresholds as per art. 1711-4 of Law of 10thAugust 1915: Euros 20 million balance sheet, Euros 40 million turnover, and 250 employees. Only the balance sheet threshold is crossed by the Company.
[2] as defined by the European Directive on Markets in Financial Instruments 2004/39 EC

3. Information concerning the admission to trading and the Shares for the admission of which application is being made

3.1 Shares already marketed

The admission applied for is for an admission to trading on EURO MTF of Shares which have already been issued, fully paid and already listed on Euronext Growth Paris as of the date of this Prospectus. The Shares' listing will be transferred from Euronext Growth Paris to EURO MTF as per the procedure described herein. This Prospectus does not concern the issue of new Shares, nor any other kind of securities.

3.2 Information concerning the Shares in respect of which application to trading is made

3.2.1 Indication of the resolutions, authorizations and approvals by virtue of which the Shares have been issued

All the 5 830 820 Shares, the admission of which is applied for, have been issued by decision of the Company shareholders' meeting dated 14th May 2014, as part of the absorption of the then French company – Velcan Energy SA – by the Company, which was then known as Velcan Energy Luxembourg SA. All the Shares have been issued under the Luxembourg Law. The admission which is applied for does not entail any issue of new Shares.

3.2.2 Documents describing the terms and conditions of the merger through which the Company absorbed Velcan Energy SA, which was then the mother company of the Group.

The Company, then known as Velcan Energy Luxembourg SA, was a wholly owned subsidiary of Velcan Energy SA, then mother company of the Group incorporated in France. The Company absorbed its then mother company in May 2014 and became thereby the Mother Company of the Group. The merger was a restructuring operation that was purely internal to the Group and aimed to simplify the Group's structures and reduce costs. The Group had already no longer any activity in France, either in terms of industrial projects or as a resource centre and internal services for the Group.

Being a purely intra-group transaction, Velcan Energy's assets were transferred to the Company at their net book value as of December 31, 2013, the closing date of the financial year preceding the merger. The assets contributed were booked at 147.134. Keuros and liabilities assumed at 688 Keuros, resulting in a net value of contributions of 146,446 Keuros. The exchange ratio was one (1) share of the Company for one (1) share of the absorbed company. The shareholding considered at time T of the merger was unchanged by the merger.

The difference between: i) the value of the net assets contributed by the absorbed company, ie 146,446 K euros, and ii) the nominal value of the shares actually created as a capital increase by the Company, ie then € 7,790,942 (the then nominal capital), was constituted as the merger premium amounting to € 138,655 thousands.

The report containing all information about this merger "*Document d'information – Fusion mai 2014*" is available online at http://www.velcan.lu/investors/reports-accounts/

3.2.3 Rights attached to the Shares

The Shares are all ordinary shares and carry the same rights.
Each Share shall be entitled to one vote at all general meetings of the shareholders (a shareholder can be granted beneficiary shares ("*Parts bénéficiaires*") (the "**Beneficiary Shares**") which entails voting rights – see section 4.2.3).
There are no restrictions on voting rights (except in case of failure to disclose some thresholds crossing as under article 7.4 of the article of association, appendix 5 of the prospectus).
All the Shares carry the same share in the profits, full dividend rights and full right in any surplus in the event of liquidation.
There is no pre-established fixed date for dividend entitlement or time limit to dividend entitlement, which are to be determined by the General Meeting or the Board of Directors. The Board of Directors can decide advance payments on dividends.
In accordance with the Company Law, a preferential subscription right is attached to the Shares. Pursuant to article 6bis of the articles of association of the Company, the Board of Directors is authorized to issue free shares (the "**Free Shares**") to employees of the Company. In such event, the preferential subscription right attached to the Shares does not apply.
The articles of association do not contain conversion or redemption provisions.

3.2.4 Withholding tax on the income of the Shares in the country of origin.

The Company does not assume any responsibility for the withholding tax at source, if any.

3.2.5 Arrangements for transfer of the Shares and any restrictions on their free negotiability

There are no restrictions on the free transferability of the Shares and no pre-emption rights in case of sale of shares.

3.2.6 Date on which entitlement to dividends arises

To be decided by the general meeting of the Company upon the proposal of the Board of Directors. No dividends have been proposed to the annual general meeting held on 26 June 2018. No coupon is attached to the Shares as of the date of this Prospectus.

3.2.7 Stock exchange listing: transfer from Euronext Growth to EURO MTF

The Shares are listed on Euronext Growth Paris market as of the date of publication of the Prospectus. This Prospectus is part of an application for the listing and admission to trading on the EURO MTF operated by the Luxembourg Stock Exchange.
Upon or concomitantly to the listing and admission of the Shares to trading on EURO MTF, the Shares will be delisted from Euronext Growth Paris, in such a way that eventually the Shares will be listed exclusively on EURO MTF.

3.2.8 The financial agents.

No issue of securities and no financial transactions are associated to the transfer on EURO MTF.

The Company authorized agent for securities services and the Shares' financial service is BNP Paribas Securities Services, Grands Moulins (GMP), 9 rue du débarcadère 93500 Pantin, FRANCE, RCS Paris 552 108 011, EUROCLEAR adherent number 30 (with whom the Company issuer code is 57).

3.3 No share issued in the past 12 months.

As this Prospectus concerns only the admission of existing Shares on the EURO MTF, without any issue or placement of new shares, no information is required in this regard. In addition, no issue of new shares has taken place in the past 12 months.

3.4 Information concerning the admission of Shares to trading.

3.4.1 Description of the Shares for which admission to trading is applied for

Type of Shares	All ordinary Shares
Number of Shares to be listed	5 830 820
Nominal value per share	Eur 1 (one euro)
Issue date	14th May 2014
Coupon	Nil
ISIN Number	FR0010245803
Mnemo	ALVEL
Euroclear common code	023235790

All the Shares are registered and centrally deposited with Euroclear France, and with a French ISIN number. There are no bearer shares as understood under the Luxembourg Law.

3.4.2 Float

Float	3 471 279	59.5%
Reference shareholder and others	2 359 541	40.5%
Total Shares to be listed	5 830 820	100%

3.4.3 Listing date on EURO MTF: 17th December 2019.

3.4.4 Single market

After a one month period of double listing on both Euro MTF and Euronext Growth Paris, the Shares will be delisted from Euronext Growth Paris on 20th January 2020. The last trading day on Euronext Growth will be on 17th January 2020. Thereafter the Shares will be listed exclusively on the EURO MTF Market.

3.4.5 No public takeover / exchange offers

No public takeover or exchange offers by third parties have taken place in respect of the Company's Shares. No public exchange offers have been made by the Company in respect of other companies' Shares.

4. General Information about the issuer and its capital

4.1 General Information about the Company

4.1.1 Identification information

Name:	Velcan Holdings S.A., the "Company" (Formerly known as VELCAN)
Registered office:	11 Avenue Guillaume, L-1651 Luxembourg
Establishment:	Nil - No separate administrative establishment
Incorporation:	12th February 2009 by notarial deed of Maître Paul Decker
Duration:	Indefinite
Registry:	*Registre du Commerce et des Sociétés de Luxembourg*
Registration:	RCS Luxembourg, B145.006
LEI Code:	222100SOZQEBWOVHDQ35
Legal form:	Public Limited Liability Company (*Société Anonyme*)
Law:	The Company is incorporated and operated under the Luxembourg laws, in particular the Company Law.

4.1.2 Company's object

The Company's legal object is to undertake a wide variety of investments, financial and commercial transactions. The article 4 of the articles of association of the Company is translated hereinafter:

"Art. 4. Company's Object.
The object of the Company is any business dealing directly or indirectly with the undertaking of equity participations in any form, in any business in the form of a corporation or partnership, and the administration, management, control and development of these participations. It may, notably, use its funds for the creation, management, development and liquidation of a portfolio consisting of any securities, participate in the creation, development and control of any enterprise, acquire by contribution, subscription, firm underwriting or purchase option or in any other manner, any securities, dispose of them by way of sale, assignment, exchange, grant any assistance, loans, advances or guarantees to any company in which it has a direct or indirect interest.
It may also acquire, manage, operate, sell or lease any real estate, furnished or unfurnished and generally make any real estate transactions, with the exception of those of property merchants (Marchands de biens), and the placement and management of its liquidity in the Grand Duchy of Luxembourg or abroad.
In general, the Company may carry out any transactions of a patrimonial, movable, immovable, commercial, industrial or financial nature, as well as any transactions and operations likely to promote and facilitate, directly or indirectly, the accomplishment of the corporate purpose or its extension."

4.1.3 Statutory documents

The Company's statutory documents are available for inspection at Etude Tabery et Wauthier 10 rue Pierre d'Aspelt, B.P. 619 L-2016 Luxembourg, Tel + 352 251 51 51, Fax + 352 45 94 61.

Statutory documents such as financial statements, annual reports, general meeting documents, voting rights information, up to date articles of association and share buyback programs reports are available online at www.velcan.lu

The articles of incorporation and the amendments thereto have been published in the '*Recueil du Mémorial*' as follows:

- Constitution under the name of VELCAN ENERGY LUXEMBOURG S.A. following deed received by Maître Paul Decker, then notary of residence in Luxembourg, dated February 12, 2009, published in the Mémorial C, Collection of Companies and Associations, number 643 of March 25, 2009,

- Extraordinary general meetings following deeds received by Maître Paul Decker, then notary residing in Luxembourg

- dated February 18, 2009, published in the Mémorial C, Collection of Societies and Associations, number 658 of March 26, 2009,

- dated June 28, 2010, published in the Mémorial C, Collection of Societies and Associations, number 1739 of August 26, 2010,

- dated September 3, 2010, published in the Mémorial C, Collection of Societies and Associations number 2261 of October 22, 2010,

- dated May 11, 2011, published in the Mémorial C, Collection of Societies and Associations, number 1735 of July 30, 2011,

- Merger pursuant to deed of Maître Paul Decker, then notary residing in Luxembourg, on May 14, 2014, published in the Mémorial C, Collection of Companies and Associations, number 1405 of June 2, 2014,

- Notice of increase of share capital pursuant to deed received by Maître Martine DECKER, notary residing in Hesperange, on June 24, 2015, published in the Mémorial C, Collection of Companies and Associations, number 2354 of September 2, 2015,

- Extraordinary General Meeting following deed received by Maître Martine DECKER, notary residing in Hesperange, on August 14, 2015, published in the Mémorial C, Collection of Companies and Associations, number 2889 of October 20, 2015,

- Report of increase of share capital following deed received by Maître Martine DECKER, notary of residence in Hesperange, dated May 3, 2016, published in the Mémorial C, Collection of Companies and Associations, number 2142 of July 20, 2016,

- Extraordinary General Meeting following deed received by Maître Martine DECKER, notary residing in Hesperange, on July 28th, 2017, published in the electronic code of companies and associations, journal number RESA_2017_194 of August 18th, 2017,

- Amendment following deed received by Maître Martine DECKER, notary residing in Hesperange, on June 29, 2018, published in the electronic code of companies and associations, journal number RESA_2018_166 of July 25, 2018,

- Extraordinary General Meeting following deed received by Maître Martine DECKER, notary residing in Hesperange, on July 27th, 2018, published in the electronic code of companies and associations, journal number RESA_2018_175 of August 7th, 2018,

- Extraordinary general meeting following deed received from Maître Martine DECKER, notary residing in Hesperange, on August 8, 2019, in the course of publication.

4.2 General Information about the capital

4.2.1 Issued capital

Issued capital (fully paid-up)	Eur 5,830,820.00
Number of Shares to be listed	5 830 820
Nominal value per Share	Eur 1 (one euro)
Class of Shares	All ordinary Shares
Coupon	Nil
ISIN Number	FR0010245803
Mnemo on Euronext (until 17/01/2020)	ALVEL
Mnemo on EURO MTF	VLCN

4.2.2 Authorized or unissued capital

Authorized capital	
Authorized capital amount	Eur 30,000,000.00
Duration of authorization	5 years from 28/07/2017
Body authorized to increase the capital	Board of Directors
Articles of Associations	Article 6
Unissued capital – Equity warrants	
Number of equity warrants issued	21 600
Conversion ratio	1 share for 1 warrant
Price of equity warrants issued	Eur 10 for 13 600 warrants Eur 21.4 for 8 000 warrants
Type of holders	Group consultants
Issue date	23/04/2013
Expiry date	23/04/2023

The above mentioned equity warrants are the only existing undertakings to increase the capital. In case of exercise, the new shares to be issued would represent 0.4% of the share capital of the Company.

In accordance with article 6bis of the articles of association of the Company, the Board of Directors is authorized to issue, without limitation of time, Free Shares to the Company's employees. Free Shares plans are the only undertakings concerning share acquisition rights as of date. For further information on Free Shares, please refer to section 7.2 of the Prospectus.

4.2.3 Beneficiary shares not representing the capital

Shareholders can gain rights called Beneficiary Shares after being registered in the nominative register held by the Company of its agent for a certain period of time, as per the article 7 .7 of the articles of association of the Company (Appendix 5 of the Prospectus), an extract of which is translated below:

"The Company may issue, in addition to shares, and in accordance with the law and the stipulations of the present articles of association, beneficiary shares which are not representative

of a portion of the capital. A beneficiary share holding a voting right is granted to the holders of any fully paid-up share for which a nominative registration for at least four (4) years in the name of the same holder can be justified.
A second beneficiary share, also conferring a voting right, is granted to the holders of any fully paid-up share for which a nominative registration for at least four (6) years in the name of the same holder can be justified.
For the purposes of this section, only the shares registered under name of the same shareholder for more than four (4) or six (6) consecutive years, as the case may be, in the nominative register directly held by the authorized agent specially appointed by the Company for this purpose, to the exclusion of all other foreign or foreign account keepers / custodians, shall be considered to be eligible for the issuance of such beneficial shares [....]"

As of the date of this Prospectus, the Company has granted 4,068,514 Beneficiary Shares which are constitutive of 4,068,514 voting rights.
Beneficiary Shares are not constitutive of securities, they are not attached to the Shares and are not tradable. They are voting rights issued to the concerned shareholder and are lost automatically without formalities as soon as the concerned shareholders sells the corresponding Shares that were registered in the nominative share registry. Please refer to the article 7.7 of the articles of association (Appendix 5 of the Prospectus) for further details on Beneficiary Shares terms and modalities.

4.2.4 Convertible or exchangeable debt securities

As of the date of this Prospectus there are no debt instruments or financial instruments convertible in Shares or giving access to the share capital of the Company.
No debt securities have been issued.

4.2.5 Conditions imposed by the articles of association governing changes in the capital, where such conditions are more stringent than is required by law.

The conditions imposed by the articles of association are not more stringent than those provided by Luxembourg law, except for the obligation to declare thresholds crossings to the Company as per article 7.3 of the articles of association.

4.2.6 Summary description of the operations on the capital during the three preceding years

During the 3 preceding years, the following operations have been conducted on the capital:

Date	Operation	Capital before (Euros)	Capital after (Euros)
28/07/2017	Capital reduction by cancellation of own shares	7,805,442.00	6,605,442.00
29/06/2018	Capital reduction by cancellation of own shares	6,605,442.00	6,281,967.00
08/08/2019	Capital reduction by cancellation of own shares	6,281,967.00	5,830,820.00

Daily reports of the share buyback programs conducted by the Company are available online at http://www.velcan.lu/investors/other-regulated-information/

4.2.7 Control of the Company

The Company's reference shareholder is LHP S.A.

	Shares	Voting rights
LHP S.A.	34.8%	61.4%
Jean-Luc Rivoire	1.4%	0.8%
Antoine Decitre	1.9%	1.1%
Treasury Shares[3]	2.4%	1.4%
Free Float	59.5%	35.1%
	100%	100%

LHP S.A is controlled entirely by the two founders of the Company, Jean-Luc Rivoire and Antoine Decitre.

4.2.8 Shareholder's holding more than 10% of the capital

The Company is not aware of any person or entity holding more than 10% of its share capital, with the exception of persons / entities mentioned under paragraph 4.2.7 above.

4.2.9 Own shares as of Prospectus date

Number of own Shares held	139 850 Shares representing 2.4% of the capital
Book value	Shares have been acquired from a subsidiary at EUR 7.3 unit price, or a book value of EUR 1.292 million[4]
Nominal value per Share	1 Euro
Expected use of the own shares	Transfer to Group employees and executives based on Free Shares plans

4.2.10 Restrictions to change of control

There are not provisions in the Articles of Associations restraining directly a potential change of control of the Company. However in practice the multiple votes entailed by beneficiary shares (article 7.7 of the articles of association – section 4.2.3 above) could delay or prevent a change of control by diminishing the percentage of votes available to a new shareholder as compared to shareholders who have acquired their participation long back and therefore benefit from beneficiary shares. Similarly, the Articles of Association (article 7.3) provide for an obligation to declare to the Company the crossing of every one percent thresholds, failing which the corresponding shares may be deprived from voting right, hence limiting the possibility for "rampant" acquisitions.

[3] The treasury shares voting are suspended as per Law
[4] As per Luxembourg Law a non-distributable reserve of the same amount is booked in the liabilities, against the share premium of the Company

5. Information concerning the Company's activities

5.1 Overview of the Group's activity

The Company is a Luxembourg headquartered investment holding company founded in 2005, operating as an independent power producer in India and Brazil and managing a global portfolio of financial assets.

The Company owns and operates a 15MW hydro power plant in Brazil that it developed and built in 2009. After divesting smaller projects it previously developed Lao PDR and Indonesia, the Group continues the development of its cascade of hydropower concessions located in India and totaling 571 MW. This project is complex and long-term, like all large infrastructure projects of this type in India.

Hydropower concessions provide long periods of cash generation but their development outcome is uncertain and many years are needed to bring these projects to maturity in emerging countries: it involves field studies in remote places, the assessment of many different environmental and technical parameters, obtaining the necessary authorizations and permits and land acquisition in political and regulatory environments that can be unstable or heavily hampering. Long construction periods are generally required, in addition to long development periods.

Hydropower development requires the prospection of a large portfolio of projects because only a few ones will eventually present competitive techno-economic parameters combined with low environmental impacts and will manage to obtain all the required approvals and permits.

The Group has brought to an advanced stage of development two of the three Indian projects, forming a tandem of 426 MW which present attractive technical and economical features. By doing so, the Group has gained a unique position in India, as the only foreign direct private investor holding 100% of such advanced stage large hydropower projects, whereas many other developers have failed to bring their concessions to such maturity.

With these projects, the Group is expecting to take advantage of the promising long term perspectives of the Indian economy.

Meanwhile the Company actively manages its treasury, investing in listed and unlisted financial investments. As of 31st December 2018, 19% of the assets of the group are deployed in power projects or plants, 81% in listed and unlisted financial investments, and cash and cash equivalents (bank current accounts and deposits).

The Company's headquarters are in Luxembourg, with administrative and financial offices in Singapore and Mauritius. The team dedicated to the development of the Indian hydropower cascade is based in New Delhi and at the project site (Arunachal Pradesh), and the team dedicated to the Rodeio Bonito plant is based in Sao Paulo and Chapecó.
The Groups power projects portfolio is the following:

POWER PROJECTS PORTFOLIO		31/12/18
GLOBAL	Portfolio of concessions and production facilities.	586 MW
BRAZIL	Hydroelectric plant in operation	15 MW
INDIA	Hydropower Projects under development.	571 MW

The Group earns two types of revenues: i) industrial revenues, which at the moment are coming solely from the Rodeio Bonito plant turnover, and ii) financial incomes, which are coming from the financial assets portfolio.

As of 31st December 2018 the breakdown was as follows:

KEY CONSOLIATED FIGURES 31/12/2018	GEOGR. SEGMENT	EUR M
Revenues from Rodeio Bonito plant	Brazil	2.6
Net financial Income (financial result)	Worldwide markets[5]	3.1

In terms of power projects, the Group is now present exclusively in Brazil and India. The Group had developed in the past several hydropower projects in Lao P.D.R and in Indonesia, which were sold respectively in 2015 and in 2017-2018. For now, the Group is not prospecting for new power projects.

5.2 Hydropower development and operations

5.2.1 The Rodeio Bonito plant in Brazil – 15 MW under operation

The Company started its hydropower activities in Brazil in 2006 and acquired the rights of the Rodeio Bonito concession in December 2006. After setting-up a team of experienced Brazilian engineers, the construction started in August 2007 and finished in Q4 2009. Commissioning was conducted in Q4 2009, as planned without delays.

[5] Financial income comes a wide array of financial investments and issuers located across various countries. Please refer to section 5.1.3 for more details.

Aerial view of the Rodeio Bonito plant

The plant is located in the State of Santa Catalina, Brazil and set on the Irani River.
As it was the first hydropower project of the Group, it was decided to finance it with full equity funding. The plant has been running smoothly since its commissioning. It is now partially remotely controlled with only a security staff at site at night.

Rodeio Bonito Dam view

Main plant metrics:

- Capex: €26m
  - Ebitda ~ €1.5-2m/year
  - Plant Type: Run Of River
  - Capacity : 15 MW
  - Dam height: 28m
  - Dam crest length : 300 meters
  - Concession until 2034[6]

The Rodeio Bonito Hydropower plant recorded a production of 49 987 MWh in 2018, 21% above the 2017 generation (41,321 MWh). This increase is essentially due to precipitations improving in 2018 after the severe drought that hit Brazil in 2017. But this was still a moderate generation due the rainfall in Rodeio Bonito catchment remaining well below the historical long term average. This reflects again low precipitation levels in Brazil in 2018.

Please refer to the section 5.4.2 for details regarding the sale of the electricity generated by the Rodeio Bonito plant.

The operation and maintenance of the plant have been satisfactory in 2018, with a technical availability of 95% for 2018. In 2018 the turnover of the plant was Eur 2.6 million and its EBITDA was Eur 1.7 million. A detailed description of the plant operation and financial performance is available in the annual report 2018, page 19 (appendix 1 of the Prospectus).

[6] The Government has the option to renew the concession for another period of 30 years

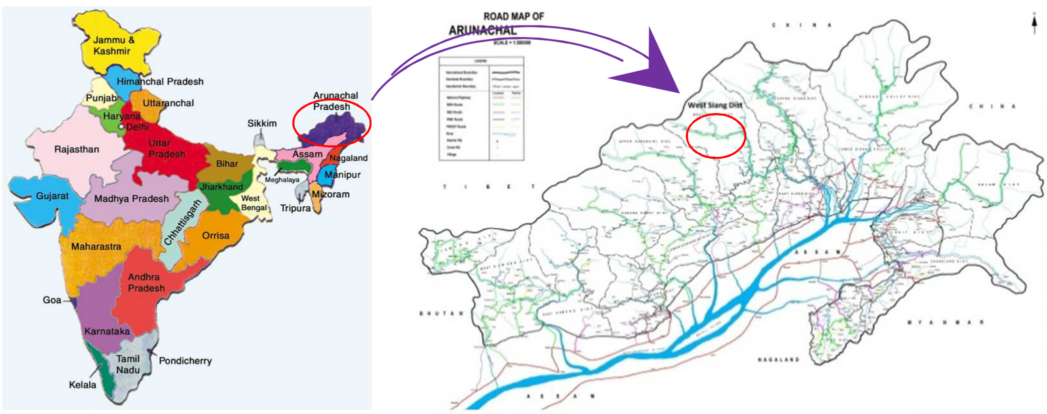
5.2.2 The Yarjep Hydropower Cascade plant– 571 MW under development

Between 2006 and 2010, the Company started its operations in India by operating 2 biomass based thermal plants (15MW) it acquired in 2006. In 2006-2007, the Group prospected large size HEPs in India and entered into a concession agreement (Memorandum of Agreement - MoA) with the Govt. of Arunachal Pradesh in 2007, for the development on Build Own Operate Transfer (BOOT) basis of 3 HEPs, now totaling 571 MW after completion of Surveys and & Investigations.

Project Name	State in India	Capacity (MW)	Ownership (%)	Remaining years of concession
Yarjep / Heo	Arunachal Pradesh	240	100%[7]	40[8]
Yarjep / Pauk	Arunachal Pradesh	145	100%	40
Yarjep / Tato I	Arunachal Pradesh	186	100%	40
TOTAL		**571**		

After 10 years of development, the Company has brought 2 of these HEPs – Heo and Tato-1 (426 MW) to the forefront of hydropower private investment in India.

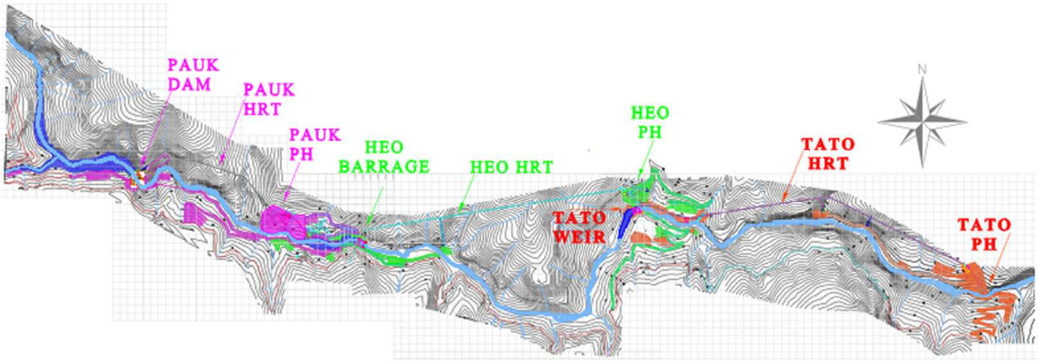
The 3 projects form a cascade located on the Yarjep River, a tributary of the Siang River and part of the major Brahmaputra river basin system, in the north eastern region of India.



The entire cascade spreads over 16 km of river. Heo and Tato-1 HEPs are the 2 most downstream projects and form a master-slave tandem of 426 MW of pure Run-off-Rive (RoR) projects, which have now reached an advanced greenfield stage. The tandem is designed to ensure 3h peaking only during the monsoon. Pauk HEP is the most upstream project, also a RoR but with an active diurnal pond. It is still under survey and investigations stage and its Detailed Project Report (technical feasibility studies) is under preparation and has been delayed for several years due to various technical and local reasons. Pauk will be designed to enable 3h daily peaking all the year round and simultaneously for the entire cascade. Given the delays encountered by the Pauk HEP, the Heo-

[7] *For all the 3 Indian projects, the negotiations for the update and amendment of the concession agreements with the latest installed capacities and project implementation timeframe are pending with the State Government. These discussions include a potential claim from the State Government over 26% of the equity of the Projects.*
[8] *The duration of the concession is 40 years from the commissioning of the plant*

Tato-1 tandem is planned to be implemented independently from Pauk HEP.



Layout of the Yarjep hydropower cascade

Current stage of development

The Heo-Tato-1 Tandem (426 MW) is amongst the most advanced hydropower project of that size in India:

- Site investigations and local site works have been completed, including most of the post Techno-Economic Clearances (TEC) works required by the Central Electricity Authority (Ministry of Power, Government of India). These investigations consist mainly of various geological, hydrological, topographical site investigations conducted at remote project sites and involve cooperation with local people and authorities. The most challenging subsurface geotechnical drillings, seismic refractions and drifts have been performed. It took the Group's local teams 8 years to complete such works.

- The TECs have been obtained in 2015. The TEC is the approval granted by the CEA that validates all the technical feasibility studies and costs estimates, based on the site data retrieved by the site investigations.

- Environmental Clearances have been obtained in November 2015. Through these clearances the Ministry of Environment and Forest (MoEF) has approved the impact studies and the proposed environmental and social mitigation measures. Local interaction work and awareness campaigns were conducted through local presence at site for 10 years. Public Hearings were successfully held in November 2013. The Siang basin cumulative environmental impact study has confirmed the projects.

- Forest Clearance Stage-1 was obtained in October 2015 from MoEF. It authorizes the use of forest land for industrial purpose. The entire land required for the implementation of the Projects has been classified as Forest Land, and therefore the authorisation encompasses the entire projects' sites. The approval contains various standard conditions related notably to the compensatory afforestation program (reforestation) and other forestry activities.

- The Recognition of Forest Rights Act (2006) compliance was completed. The Company has been the first company to implement this regulation in Arunachal Pradesh. Gram Sabah meetings (tribal village councils) have been successfully held in November 2014 in all 10 concerned villages of the areas, and have expressed clear support to the Projects. Compliance Certificate obtained in April 2015. As part of small technical layout amendments, these councils have expressed their support again in March 2018.

- The land acquisition procedure has been initiated in 2016 and is under progress. Social Impact Assessment (SIA) procedures have completed by the SIA Unit and related public hearings were held successfully in February 2018. The State District Administration has conducted the procedure to collect the consent of 80% of land owners, which has been granted successfully. Issuance of Section 11 notification, which validates the first phase of the acquisition procedure, should follow.

Projects main features

Salient Feature	Heo HEP	Tato-1 HEP
Intake type and height	Barrage, 16 m	Trench weir, 9 m
Head Race Tunnel length	3550 m	3641 m
Surface Land Requirement	51.3 ha	47.7 ha
Gross Head / Net Head	211 m / 201.8 m	164 m / 153.3 m
Designed Discharge	130.2 cumec	132.9 cumec
Construction period	50 months	48 months
Installed Capacity	240 MW	186 MW
Design Energy[9]	1,000.2 GWh	802.59 GWh
Completion cost estimate[10]	**USD 233 m**	**USD 215 m**
First year turnover	USD 63.6 m	USD 58.4 m

The Projects are environmentally and socially friendly projects as they do not entail any displacement of population or resettlement. They involve relatively small civil structures, small land requirement and very small submergence areas as compared to their generation capacity. They do not affect any wildlife sanctuary. The Project area is already accessible and penetrated by human activity.

[9] Standard power generated during a 90% dependable hydrological year. The power to be generated by the tandem represents the consumption of approximately 1.5 million people for a year, based on per capita consumption of 1149 kWh in India as of the year 2017-2018. Source CEA Power Sector March 2019.

[10] Indicative figures based on an example of commission that would occur in 2024, which is subject to the real date of commissioning and to the Central Electricity Regulatory Commission approval of final costs post construction, which may suffer overruns. The 2024 COD is only an example date necessary to calculate escalation of costs and then completion cost. It is NOT a forecast of the COD, which the Group is not in a position to provide for the reasons mentioned at pages 22-23. At current exchange rates.

Next steps of development

- The main next development steps for 426 MW tandem are the land acquisition[11], the transport infrastructure readiness, the amendment of the concession agreements, the stage 2 Forest Clearance and the preliminary search for a bankable Power Purchase Agreement (PPA).

- These requirements are however mainly under the purview and responsibility of the State and Central Governments and the Group scope of work in this regard is to file applications, to attend requests, to provide support to Government services and to follow-up and pursue the procedures.

- During 2018 progress has been made towards the procedure of land acquisition[12] and reached the official consent of the land owners to the acquisition of their land, which is a major step for the project as it formalized that the owners agree to sell the land to the project. However, this approval does not concern the land registry itself and the sharing of the land compensations between various local tribes. Administrative issues related to Land status and the existing ownership disputes remain and are still the most sensitive and significant issues, which keep slowing down the development of the projects.

  Once “section 11” will be issued, the State Government will have to conduct another set of surveys and procedural steps such as detailed and individual census of affected facilities, marking land boundaries, hearing of individual objections, preparation of Rehabilitation & Resettlement plans (section 19 of the LAA), public hearing on such plans, financial awards (Sections 23 and 31 of the LAA), and the physical possession of the Land (Section 38 of the LAA). One of the sensitive steps of the procedure will be to award financial compensations as it should require the State Government to determine precisely the land revenue registry and /or to settle the disputes.

  As per the current concession agreements 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 with the Government of Arunachal Pradesh for such an extension of the concession agreement are still opened but have not recently progressed. As per our knowledge it is the first time the State Government acquires land under this new Land Acquisition Act (2013) and the procedure is complex.

- The timely availability of appropriate road infrastructure is also an important issue that the Company has been attending with the Central Government whenever possible, although no progress has been made by the Government on this side during FY2018. The completion of the roads upgrade is now likely to fall in 2024 -2025. Budgets for speeding such date have been assessed but not yet been sanctioned by the Government of India.

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[11] As per applicable regulations the land is to be acquired by the licensing Government, at the cost of developer, and then leased back to the developer for the duration of the concession.

[12] See details of land acquisition status page 14 of the 2018 annual report (Appendix 1 of the Prospectus)

- Following the TEC, which has frozen the installed capacity of the projects to 426 MW, the Group has engaged the process for amending the concession agreement in order to amend such installed capacity (which was previously 170 MW). The negotiations with the Government of Arunachal Pradesh cover several matters such as an updated implementation timeframe for the projects, the administrative fees related to the execution of the new concession agreement, a claimed minority equity participation requested by GOAP, and the final quantum of free power due to the Government once the project will be commissioned. The current concession agreements where executed in 2007 and amended in 2009 following the first increase of capacities.[13] Discussions are still pending and have not progressed recently.

- The issuance of the Forest Clearance stage 2, which allows to physically take over the forest land (subject to land acquisition by the Sate Govt. being complete), is subject to the fulfilment of some conditions (in addition to the land acquisition). The Forest Clearance stage 1 issued by the Ministry of Environment and Forests (MOEF, Govt. of India) notably requires the State Government to identify additional compensatory afforestation land (land where forest is to be replanted) of 7 Ha for Heo HEP and 12 Ha for Tato-1 HEP. The State Government has proposed to the Ministry a piece of land in 2016, which has been rejected in January 2017 as inappropriate for afforestation purpose by the MOEF. Another proposal has been sent by the State Government to the MOEF in November 2017. MOEF has requested additional technical clarifications in May 2018, which are currently under examination at State level.

- Power Purchase Agreement availability[14]: until now, the commercial and financial market conditions have remained the same and still do not fulfil the requirements for the long term sale of hydropower, as the market remained constrained by the lack of proper regulatory framework for the sale of hydropower through long term bankable PPAs, the stressed financial position of electricity distribution companies (DISCOMS) and the indirect impact of the solar and wind cheap power (although these do no compete directly with hydropower due to their generation patterns).

Overall perspectives in India

The Government of India has undertaken to reverse the above negative market scenario by publishing on 7th March 2019 a new hydropower policy which features main measures such as a Hydro Purchase Obligation (HPO) to be imposed on distribution companies or plans to reduce the hydropower tariffs in the first years of the PPA to make it more attractive to power purchasers.

In principle the above new policy is a good news, and it marks a long awaited shift in the Government of India policy towards establishing a regulatory framework facilitating the signing of long term PPAs and supporting hydropower development. The details and

[13] As per such agreements the plants' construction was to be started within 4 years after their execution (being 2013) and the plants were to be commissioned within 7 years after their execution (being 2016), failing which the concessions can be terminated. However the agreements provide that these periods are automatically extended in case of force majeure and delays for reasons non-attributable to the developer.

[14] See details on the PPA market conditions page 16 of the 2018 annual report (Appendix 1 of the Prospectus).

implantation modalities remain to be seen and the Company is following up closely the evolution of this new framework.

The Company keeps making progress in areas that depend on itself and continues to see long term promising prospects in the Indian electricity market.

In the current advanced project development phase, most activities are under the purview of local and national Government entities, including instrumental land acquisition and road infrastructures. These activities are progressing at variable paces but generally slowly and they regularly encounter impediments and delays. Progress is also always subject to political and legal risks such as changes in legislation and / or government. On this side, the Group takes note of the new hydropower policy mentioned above which has been decided by the Government of India. Although the results will take some time and depend on implementation modalities not yet known, this policy is a significant measures and positive sign towards the recovery of the hydropower market.

Until now, the Indian commercial and financial market conditions have not been favorable to the sale of hydropower, as the market has remained constrained by the indirect competition of RE tariffs, the bad financial health of electricity distribution companies (DISCOMS), the insufficient regulatory framework not allowing the sale of power through long term bankable PPAs and the heavy exposure of the banking sector to bad infrastructure loans. The impact of the new hydropower policy on this current scenario is yet to be seen.

In terms of long term power demand, even if some states are in power surplus scenario on the short term (1-2 years) they would all be experiencing peak and average deficits at the end of 2022. The demand could even become significantly larger (> 20 GW) if new MOEF norms for coal based power plants are enforced to meet emissions standard and if renewable energy capacities are under achieved. That leaves room for the procurement of hydropower by DISCOMS if a proper regulatory framework is in place.

Also, in 2018 and 2019 there has been few cases of DISCOMS calling for expression of interests to purchase long term hydropower, for a supply of power in 2019. Although another a positive sign, these initiatives have not yet resulted in the signature of any bankable long term hydropower PPAs by private developers of greenfield projects, as per our knowledge.

The Group’s team pushes all project activities including by assisting the Government for those activities which are not its direct responsibility and by providing support to Government entities whenever possible, but the Group is not in a position to assess the timeframe and the scale of the various delays which are or will be encountered.

Upon reaching a bankable PPA and the financial close for the 426 MW tandem, the Group will require USD 112 million to USD 134 million to fund the equity required for the construction of the projects (estimate which will vary notably depending on the final completion dates, final financing costs, completion costs, and exchange rates).

No additional provision has been decided for FY 2018. In view of the uncertainties of the Indian market and the delays encountered, the Company had decided already decided to book a provision in 2017, of EUR 2.2m (16%) on the intangible value of the Indian projects.

5.3 Financial portfolio management

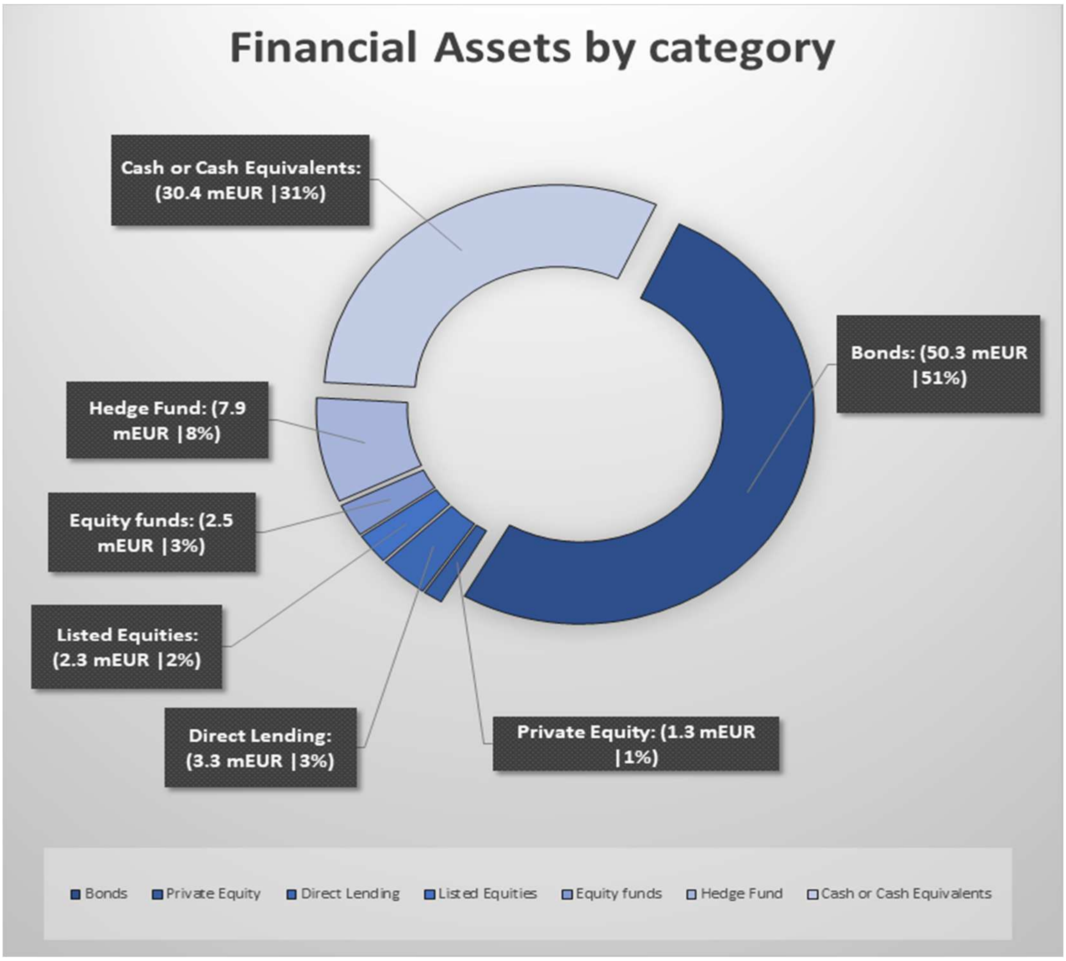
While developing the Indian projects, the Group manages its treasury to cover the operational costs and provide financial returns. The Group has invested over the years in an extremely diversified array of financial assets including mostly : corporate and government bonds in local and reserve currencies, equities, derivatives, direct lending and private equity investments.

Because global market yields have been very low for the last 10 years, in order to generate enough returns to cover the Group's operational costs, the Group strategy is to invest into several class of assets:

- a wide variety of assets private or public;
- assets with an elevated level of risk, especially below the investment grade world in the corporate bond asset class, potential providing higher returns than safer assets;
- a wide range of different currencies, including currencies from emerging countries;

As of 31/12/2018, the group main investments have been mainly in corporate bonds again. After an important increase between the beginning of 2016 year when the exposure was EUR 28.9 m and the end of 2017, the exposure has stabilized from 49.9 m at 2017 year end to 50.1 m at 2018 year end. The group is mainly exposed to issuers in the BBB, BB, B and Non Rated categories (as defined by Standard & Poor's).

The maturities span a wide range. Although the majority is less than 6 years, some bonds have more than 30 year maturities. A few are of perpetual nature. In 2017 the group invested in majority in USD bonds, from issuers coming both from developed markets and emerging markets. At year end the biggest lines (above EUR 2.0 m of exposure) of the Group are with the following issuers : CMA CGM (France), Olam (Singapore), BBVA Bancomer (Mexico), NORDDEUTSCHE LANDESBANK GIROZENTRALE (Germany), TRAFIGURA GROUP PTE LTD (Singapore), UBS AG (Switzerland), COMCEL TRUST (Guatemala), OMAN TELECOMMUNICATIONS LTD (Oman), the republic of Argentina and PUMA ENERGY (Singapore). These bond investments had performed very well in 2017 at constant exchange rates but the Group suffered from the US dollar weakening. In 2018 the performance has been negative, although less so than the market, but the US dollar strengthening has compensated the losses. The Group has invested in bonds since 2008 and it has proved a good way to enhance the profits of the Group so far.



As of December 2018, the Group also owns private investments worth EUR 4.6m including private equity (EUR 1.3m) and direct lending (EUR 3.3m).

Most part of Private equity and direct lending investment are invested in the shipping sector. Given the recent poor performance of this sector these investments have contributed negatively to the performance of the Group between 2016 and 2018. In 2016 the Group, as part of the management of its USD treasury, has accorded a direct senior loan of USD 1.6 Million to a third party for financing the acquisition of a chemical tanker. The loan was secured by a first preferred mortgage. Since then the borrower has defaulted and the vessel has been arrested in Nigeria by other alleged creditors. The loan has been restructured with a new borrower and the Group has engaged procedures to lift the arrests and recover its dues. Several arrests have already been lifted. As of 31st December 2018 the principal amount plus various recoverable expenses related to the recovery of the said loan amounts due under the restructured loan is USD 4.9 m. The amount due by the new borrower remains secured by a first rank mortgage on the said vessel. To the extent that the recoverability of the loan will depend ultimately on the resolution of the legal disputes in relation with the ownership of the vessel and potentially the enforceability of the mortgage, a partial impairment has been booked in the accounts. Due to potential negotiations, the impairment amount is kept confidential.

The Group is actively monitoring these investments in the shipping sector to try to maximize their value.

As of December 2018, the Group had investments worth EUR 2.3 m in listed equities, EUR 2.5 m in equity funds. The Group believes the current equity markets provide no sufficient reward vs the risks entailed by their level. Were the situation to change, the Group may reinforce significantly its investments in listed equity. The Group has increased its position in hedge funds up to EUR 7.9 m against EUR 2.5 m in 2017.

As of December the Group financial assets were mostly exposed to the US Dollars.

Finally a significant part of the treasury of the Group was kept as of December 2017 in cash or cash equivalents (EUR 30.4m equivalent). Starting from a very low base, the recent increase in US Treasury rates means these deposits now provide some marginal income.

5.4 Other information about the Group's activities

5.4.1 Establishments, Offices and Employees

- Main projects establishments of the Group are located in India and Brazil where the Group has subsidiaries. In India the Group has offices in New Delhi and Bangalore as well as a site offices in Arunachal Pradesh (Itanagar and Along). The Indian teams are dedicated to the development of the Indian hydropower projects and cover all the required functions such as engineering, site operations, permits, administration and finance. A total of 13 permanent employees are based in India (without counting 5 to 15 site daily contracted workers depending on local activity). In Brazil the Group has a team of 2 employees based in Chapeco (near plant site) and Sao Paulo, dedicated to the management of the plan and the sale of the power. The Brazilian operations generate 100% of the turnover of the Group, coming from the sale of power generated by Rodeio Bonito plant.

- The Group's other offices are located in Singapore and Mauritius, which are dedicated finance & administration, while the Company is headquartered in Luxembourg.

- The Group employed on average the following number of permanent employees during the past 3 years:

Number	31/12/2016	31/12/2017	31/12/2018
Engineers and Executives	23	19	15
Office workers and manual workers	15	10	9
Average registered number of employees	38	29	24

5.4.2 Patents, major licenses and contracts

- The Group is not dependent on any patents, technology licences, industrial, or technical contracts or new manufacturing processes. The Group has not undertaken any Research & Development activity during the past 3 years. The Group has conducted technical and feasibility studies of hydropower projects, which are not considered to be part of innovation/technology R&D.

- The Group is however dependent on the following major contracts and permits which have a fundamental business importance:

  - Concession agreements in India: the 3 concessions agreements executed for 571 MW hydropower are the basis for the development and future expected construction and operation of the plants. The termination, cancellation or breach by the licensing Government would result in the total loss of the hydropower projects themselves, which currently represent 9.7% of its consolidated assets. Risk factors pertaining to hydropower concessions are detailed page 22 of the 2018 annual report available online.

  - Permits and licences in India: the hydropower projects require a number of permits and licenses. The most important ones for the 426 MW tandem have been mentioned page 18-19 above. The cancellation or withdrawal or non-renewal of such permits, due for example to change in regulations or inordinate delays, could result in the total loss of the hydropower projects themselves, if the concerned permit cannot be replaced or reinstated.

  - Concession agreement in Brazil: the concession agreement enable the Group to the run the plant until 2034. Until then, as the plant is commissioned, the risk is less important than for Greenfield projects. However, similarly, the termination, cancellation or breach by the contractual counterparty would result in the total loss of the hydropower plant itself, which currently represent the sole source of turnover of the Group, as well as 8.7% of its consolidated assets

  - Power Purchase Agreements (PPA) in Brazil: the entire turnover of the Group comes from the sales of the power generated by the Rodeio Bonito plant, therefore the termination, cancellation or breach by the contractual counterparty of the concerned PPA could have a significant impact on the turnover and the overall financial results of the Group. However, for PPAs, during the operation phase, such risk is less important than that of the permits and concession agreements for greenfield projects. In addition the sale of the power is distributed between several contracts with a limited duration, which spreads the risk.

    List of current PPAs of the Rodeio Bonito plant:

Purchaser	PPA start	PPA term	Capacity sold[15]
Votorantim	01/01/2017	31/12/2019	3 MW
Nova Energia	01/01/2017	31/12/2019	3 MW
Spot Market	N/A	N/A	1.94 MW

    The most significant risk that can affect PPAs are reduced rainfalls and droughts, as we have seen in Brazil in 2017 and 2018, as they impact negatively the power generation. Risk factors pertaining to hydropower concessions are detailed page 22 of the 2018 annual report available online.
    The Group is analysing PPA proposals for 2020 onwards.

  - Investment contracts for financial investments: all the financial investments of the Group are performed through various contracts and are subject to both the issuer default risk and the global financial markets risks. These assets could suffer

[15] The Capacity sold is expressed in after applying the plant load factor [15 MW x 53% = 7.94 MW sold]

important losses in case or financial crisis. However the treasury of the Company is distributed in a wide array of investments, none of which represents more than 10 % of the assets of the Group. Risk factors pertaining to financial investments are detailed page 24-25 of the 2018 annual report available online.

5.4.3 Significant legal proceedings

The recovery of the senior secured loan referred to under section 5.3, in the shipping industry, depends on the outcome of several litigations in Nigeria and Vietnam. As of 31st December 2018 the principal amount plus various recoverable expenses related to the recovery of the said loan amounts due under the restructured loan is USD 4.9 m, which represent 4.1% of the consolidated shareholder's equity.

5.5 Investment policy

The following investments have been made during the past 3 years

Investment during the year	31/12/2016	31/12/2017	31/12/2018
Acquisition of intangible and tangible assets	*2 030*	*824*	*572*
Of which Indian assets	*625*	*735*	*572*
Of which Indonesian assets	*1 405*	*89*	-
Acquisition of financial instruments	6 741	12 083	7 724
Acquisition of own shares	-	-	3 987
Loans and advances	728	5 072	-
Net Foreign Currency translations	-	151	351

All the above investments have been funded on the equity of the Group. The Group does not incur any debt as of the end of 2018.

The breakup of aggregated investment expressed in the balance sheet amounts by category is as follows:

Assets 31/12/2018	EUR Millions	% of assets
Rodeio Bonito Plant (Brazil)	10.4	8.7%
Indian Hydropower Concessions under development	11.8	9.7%
Financial Assets and cash equivalents	97.08	81.1%
Other assets	0.6	0.5%
Total	**119.6**	**100%**

The principal future investment of the Group will be the funding of the equity required for the construction of the 426 MW Heo-Tato tandem of hydropower projects in India, which will be required USD 112 to 134 million (depending on the final completion cost, and exchange rates at that time).

5.6 Risk factors

5.6.1 Hydroelectric project development risks

The Indian hydropower projects have reached an advanced stage of development: they have completed and feasibility studies and obtained all three majors licenses and permits: the Techno-Economic Clearance, the Environmental Clearance and the Forest Clearance (see section 5.2.2). They are however still in a development phase and the start of their construction is subject to several factors and the completion of several activities, which are themselves interdependent or dependent on external factors and subject to several risks.

In case one or several of these risks materialize, the Projects could suffer delays that could lead to the termination of the concession agreements by the State Government. There are provisions in the concession agreements stipulating that development periods and deadlines should be extended in case of force majeure and delays for reasons non attributable to the developer. However, that is subject to interpretation and the Government termination decision, whether in breach of the agreement terms or not, would result in the total loss of the hydropower projects themselves. Similarly the materialization of one or several of these risks could lead to a situation where the Projects would be stalled, unable to start construction for an undefined period of time and/or would become practically unfeasible. Even in the absence of termination of the concession agreement, that would result in an important impairment of the Projects in the company's account, equivalent to a total or partial loss of the Projects.

For the Company's shareholders, these risks materialization would eventually result in a significant loss of shareholder's equity. The Shareholder's may lose part of the investment made in the Shares as a consequence.

The risk factors during the development phase are listed herein.

i) Risk of unavailability or significant delays of the land required for the project (107 Ha)

The land acquisition process is under the purview of the State Government. There is a risk of non-completion or significant delays in the acquisition process, preventing the Group to take possession of the land for the following reasons:

- Due to land ownership disputes between local owners (as of now 32% of the Heo HEP land and 4% of the Tato-1 land are under dispute). From the legal angle, the Government can proceed with the acquisition and ownership litigations are to be settled in court separately. However, that would mean that the financial compensation would not reach the local claimant at the time of taking possession of the land. In such case there is a risk local claimants would physically prevent the Group, through demonstrations and riots, to take possession of the land. There are several examples in India of riots preventing hydropower works to proceed for various reasons. The Group's own projects have suffered delays due to ownership disputes preventing the access to the land that was / is necessary to conduct field investigations.

- Due to local political reasons such as lobbying, agitation, anti-dam protests and Law and order disturbances led by the local people and anti-dam Non-Government Organizations (NGOs) on various possible grounds such as the protection of the environment, the refusal of migrant workers influx by local tribes or disputes with regard to floods risks and downstream water availability. Such type of agitation has occurred several times in India, notably for a large hydropower project (the Lower Subansiri HEP) of which the construction has been stalled for 8 years, in the same region as the Group's project.

Such delays or unavailability of land would in turn result into the impossibility to reach financial close and start the project construction. The Group could therefore in this case lose the Projects and the equity already invested.

ii) Risk of unavailability or significant delays of land transport infrastructure (roads and bridges)

The public roads leading to the Group's project sites require an upgrade of bridges and widening of roads in order to allow the transportation of construction and electrical & mechanical equipment. Some stretches are under progress or scheduled for 2022. The last 87 Km of road (under the Ministry of Defense purview) leading to the Projects sites are likely to be ready between 2024 and 2025 but there is a risk of delay or unavailability for the following reasons:

- The 87 last km of roads leading to the project sites are remote infrastructure and depend from several the Ministry of Defense (Border Roads Organization). They were initially scheduled to be ready between 2020 and 2022. However, as per the information gathered by the Group's local team, for most of the concerned stretch, the feasibility and technical studies (DPR – Detailed Project Report) have not yet been awarded to engineering firms. That practically means the entire process remains pending: technical studies, field surveys and investigations, preparation of DPR in accordance with National Highway Double Lane road standards, approval of DPR by appropriate Ministries, Forest Clearance, detailed designs, sanction of budgets, call for tender from contractors and finally at least 3 years of construction work. Unless there is a change of plan or new measures to fasten the studies and the construction, it is likely these roads will not be ready before 2024 or 2025. This is an example of delays due to administrative slowness, lack of funding or political reasons. Further delays could happen as already experienced and practically result in the impossibility to prepare for the financial close of the Projects for an undefined period.

- The roads construction could also suffer delays or stoppage due to the local agitation risk mentioned under para i) above.

Such delays or unavailability of roads would in turn result into the impossibility to reach financial close and start the project construction. The Group could therefore in this case lose the Projects and the equity already invested.

iii) Risk of unavailability or significant delays of the electricity transmission infrastructure

A transmission line of 350 Km including a 400 Kv capacity for 150 Km and 800 kv for the balance 200 km, along with pooling stations, will be required to evacuate the power from the Projects. There is a risk of unavailability or delays for the following reasons:

- The funding, construction and operation of the transmission lines are under the purview of the Power Grid Corporation of India Limited, under the central Ministry of Power. The implementation of such infrastructure requires important permits, technical studies and funding. As mentioned for the roads above, important delays due to administrative slowness, lack of funding or political reasons could happen and practically result in the impossibility to prepare for the financial close of the Projects for an undefined period of time.

- The transmission line construction could also suffer delays or stoppage due to the local agitation risk mentioned under para i) above.

Such delays or unavailability of transmission lines would in turn result into the impossibility to reach financial close and start the project construction. The Group could therefore in this case lose the Projects and the equity already invested.

iv) Risk of unavailability, expiry, non-renewal or new requirements of the licenses and permits, or significant delays

All the three major licenses obtained by the tandem Heo-Tato-1 HEP are subject to a timeframe and are valid until 2020:

- Heo HEP TEC Revalidated up to 28th July 2020.
- Tato-1 HEP TEC Revalidated up to 28th October 2020.
- Heo HEP Forest Clearance-I issued on 27th October 2015 and valid for five years.
- Tato-1 HEP FC-I I issued on 27th October 2015 and valid for five years.
- Heo HEP Environment Clearance issued on 10th November 2015 and valid for five years.
- Tato-1 HEP Environment Clearance issued on 10th November 2015 and valid for five years.

There is always a risk that the concerned Ministry or Government entity refuses the renewal and/or imposes additional requirements due to a change of regulation or an *Ad Hoc* regulatory decision.
The Projects features are based on the regulations existing at the time of designing the Projects, such as for example the minimum environmental flows, based on which the capacities of the plants are chosen. Another example seen by the Group is the current attempt by the State Government to impose policy amendments (increased administrative fees) retroactively, thereby tentatively adding unexpected costs to the Projects. Changes of policies and regulations applicable to the concerned licenses may require important changes to the features of the Projects, thereby necessitating important additional resources and time to redo the design and re-obtain the permits of the Projects. Another example

The non-renewal of licenses would lead to the impossibility to pursue the Project whereas additional requirements could result in important additional delays or even render the Projects economically unviable. Such delays or unavailability of permits and licenses would in turn result into the impossibility to reach financial close and start the project construction. The Group could therefore in this case lose the Projects and the equity already invested.

v) Risk of social unrest, anti-dam protests and law and order disturbances

This may result in the unwillingness of the State Government to enforce the concession agreement, pursue the project, acquire the land, and issue necessary permits, eventually resulting in the unlimited delay or abandonment of the project. The Group could therefore in this case lose the Projects and the equity already invested.

vi) Unavailability or significant delays of long term bankable Power Purchase Agreements (PPA),

The Heo and Tato-1 tandem purpose is to generate and sell electricity. When ready with all the permits, the land and the required infrastructure, it will require a total funding of approximately USD 448 million (see section 5.2.2) of which around maybe 70% is to be funded by debt and 30% by equity (based on the standard assumption currently used by the Central Electricity Authority to compute tariffs). Such funding requires before the start of construction a long-term bankable contract for the sale of the electricity. PPAs depend notably on the decision/ability of DISCOMS (public electricity distribution companies) to undertake such kind of contracts, depending on the market conditions at that time. There is a risk of delays in securing such type of PPA, or even a risk of not securing at all such PPA for an undefined period, for the following reasons:

- Unwillingness or inability of DISCOMS to enter into such PPA due to the lack of proper regulatory framework. There is nowadays no tariff based bidding framework for hydropower and hydropower PPAs remain to be signed under a bilateral MOU route with a post commissioning tariff approval by state regulatory commissions. The lack of clarity of such procedures is one of the factors dissuading DISCOMS to sign long term hydro PPAs. The present procedure leaves the sensitive question of cost overruns bearing widely opened, and DISCOMS do not want to bear such risk given the potential cost overruns faced by hydropower projects. This situation has been lasting for a long time and there is a risk it continues for an undefined period of time.

- Unwillingness or inability of DISCOMS to enter into such PPA due to their stressed financial position. Most DISCOMS are heavily indebted to generators for the electricity they purchase but are unable to pay due to several reasons such as electricity theft, political unwillingness to increase consumer prices and network losses.

- Unwillingness or inability of DISCOMS to enter into such PPA due the India electricity market conditions such as the indirect impact of the solar and wind cheap power or a lack of demand.

- Change in the electricity distribution regulations or the tariff policies or an *Ad Hoc* decision from the DISCOMS resulting in unviable financial consequences such as electricity tariff unviable computation modalities, unfeasible deadlines, unviable penalties clauses, non-firm offtake, unviable guarantees of supply, etc…

The unavailability of PPA would in turn result into the unavailability of debt financing, and eventually the impossibility to start the Projects construction. The Group could therefore in this case lose the Projects and the equity already invested.

vii) Risk of unavailability or significant delays of funding,

The availability of funding will be determined first by the appetite of the financial institutions (national or international), or their risk aversion, for this type of infrastructure projects in the Indian market conditions when the Projects reach financial close. The financial structure of the funding may take different forms and the feasibility and conditions of the funding will depend on the financial markets at that time. The conditions of the market at that time cannot be anticipated, and the funding will be exposed to the following risks:

– General lack of appetite of the financial sector for financing this type of project. That could for example be the case in case of persistent heavy exposure of the banking sector to bad infrastructure loans.

– Unwillingness or inability or *Ad Hoc* decision from financial institutions resulting in unviable financial terms and conditions such as: high interest rates, rate variability against fixed rates, high swap costs, currency constraints, unviable duration, unviable equity quantum requirement, unviable penalties in case of construction delays. Furthermore, the lenders might require certain levels of equity or guarantees, either from the Group or the PPA counterpart, which could not be provided.

– There is a risk of total or partial loss of the Group's equity, in turn preventing the Projects to reach financial close. The Group's treasury is intended to fund the equity of the Projects and is currently actively managed by the Company though a wide array of financial investments which are subject to various risk (see section 5.6.4).

– Inordinate delays in the coordination and negotiations of the financial close agreements due to their complexity and /or missing requirements (PPAs, transmission, parts of land acquisition incomplete) that could lead to the termination of the concession agreements by the State Government.

– Political risk / conflict with China. The state of Arunachal Pradesh where the Projects are located is claimed by China and, although there is no armed conflict on the ground, it is the subject of an open political conflict between China and India. This may deter international lenders to participate in the Projects' funding, in fear or retaliation measures and commercial sanctions from China. For example the International Finance Corporation from the World Bank does not finance projects in this area.

5.6.2 Hydroelectric project risks during the construction phase

None of the Group's projects is currently in a construction phase. Once the Indian Projects reach the construction phase, subject to above mentioned development risks, they will be subject to the following construction risks:

– Geological risk of unanticipated composition of soil preventing the excavation of the diversion canal or head race tunnels (7.1 Km for the tandem Heo and Tato-1) as originally planned;

– Defaults or errors in the feasibility studies and detailed design leading to the necessity of modifying the plant design once the construction has started;
– Unavailability or delay in delivery of material or equipment required for construction;
– Unavailability or delay in availability of skilled personnel required for construction;
– Unavailability or delay in availability of bankable / acceptable contractors;
– Any technical factors leading to delays in the progress of construction;
– Accidents and damages to men, machinery and the environment;
– Blockade of work by NGOs, land owners, anti-dam activists, etc…
– Litigation with contractors,

Construction risks have to be appreciated in the light of the Projects location, in Arunachal Pradesh. It is a remote location with little or no public infrastructure, little or no law and order and resulting in difficult logistics management. This may render the construction works more difficult than elsewhere. Due to the political conflict with China mentioned under section 5.6.1.iiv, international contractors may not be interested in participating in project construction

In case they materialize, these risk could lead to delays in the construction or definitely impede the commissioning of a project in extreme cases. Delays usually entail an increase of interests' payments during construction, and may entail penalties payable to the power purchaser and / or the State government depending on the contracts. They are always associated with cost overruns as they are caused by the necessity to fix unanticipated technical issues. The cost overruns entailed by delays can reach an extent that make the project financially unviable or affect heavily the returns on investment, leading to important impairments representing a partial or total loss. In extreme cases where the project is made unfeasible the concession may be terminated, resulting in a total loss of the project.

For the shareholder, these risks materialization would eventually result in a significant loss of shareholder's equity. The Shareholder's may lose the part or all of the investment made in the Shares.

5.6.3 Hydroelectric plants risks during the operation phase

The Group is currently operating the Rodeio Bonito 15MW hydropower plant in Brazil. During such phase the main risks lie in:

– a real average flow of water being less important than anticipated, for example, because of significantly lower rainfall than assumed by hydrological studies conducted during development phase of the project, reducing the generation of electricity whereas the investment has already been made. In Brazil the plant is part of the MRE[16] which mutualized

[16] In Brazil, « guaranteed energy » or « ensured energy » means the annually marketable energy as approved by MME – Ministério de Minas e Energia (Department of Mines and Energy) and guaranteed through the Brazilian power system for power plants opting for the MRE (Energy reallocation Mechanism), mechanism functioning at national scale, even if the production is impacted by a bad hydrology some years. This mechanism covers the hydrological risk in case some Brazilian areas are experiencing drought, whereas other areas are experiencing heavy rains. The guaranteed energy is usually sold through mid-term fixed inflation-linked contracts. However this mechanism does not cover the risk of a national drought across Brazil which results in an overall MRE system in deficit. In this case, the Rodeio Bonito plant EBITDA could collapse drastically as all participants of the MRE system will have their guaranteed energy reduced proportionally to the overall deficit. In this case the plant has to purchase electricity in the spot market to compensate for its generation deficit, called MRE payments as consumed purchases.

the hydrological risk. However in case of important nationwide drought has seen in Brazil in 2017 and 2018, the Plant is required to make important payments to the system. All the plants in Brazil were affected and suffered from less power generation than planned.

- Plant technical breakdown that could lead to the stoppage of the electricity generation and sale;
- Technical breakdown of the transmission lines, preventing the plant to sell its power;
- Environmental issues resulting in the shutdown of the plan for some time. For example clams and algae invasions in the reservoir;
- Accidents, damages to men, machinery and the environment that could lead to the stoppage of the electricity generation and sale;
- Change in the local electricity market condition, price volatility, decrease of electricity price due to competition of cheaper sources;
- the insolvency of the off-taker, where sometimes public utilities are in bad financial shape due notably to network losses, electricity theft or payment default of their own end customers. These risk will be more acute for the Indian projects once they will be commissioned. No payment default has occurred in Brazil so far.
- Litigation with power purchasers.

Environmental risk (e.g. flood caused by a dam breaking or the impact of the reservoir on the fauna and flora) is generally not covered by insurance companies, whether it is related to an engineering error, to a defect or to an operational error. Important environmental issues during the plant operation, especially in case the fauna and flora are significantly affected, can lead to the definitive administrative shutdown of the plant.

In case of materialization, these risks could affect significantly the financial performance of the plant, and in turn the EBITDA of the Group which depends on it. In case of definitive shutdown, a total loss would be accounted for the Group. That eventually it would affect the shareholders' equity and the value of the Shares.

5.6.4 Risks related to the Group's financial assets portfolio

While developing the Indian projects, the Group manages its treasury to cover the operational costs and provide financial returns. The Group has invested over the years in an extremely diversified array of financial assets including mostly : corporate and government bonds in local and reserve currencies, equities, derivatives, direct lending and private equity investments (see section 5.3). Such financial portfolio is subject to the risks described in this section. If such risks materialize, notably in case of general financial market crisis or bankruptcy of some of the issuers to which the Group is exposed, the Group could lose a very significant part of its financial assets. For the shareholders, these risks materialization would eventually result in a significant loss of shareholder's equity. The Shareholder's may lose the part or all of the investment made in the Shares as a consequence.

- Country risks – currency conversion risk

The Group operates internationally and holds both monetary and non-monetary assets denominated in currencies other than EUR, the functional currency. Foreign currency risk arises as the value of future transactions, recognized monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates.

As of 31st December 2018, the Group's balance sheet net monetary exposure to currencies is as follows:

- Euros (EUR) 13%
- US Dollars (USD) 66%
- Brazilian Reals (BRL) 11%
- Indian Rupee (INR) 9%
- Other 2%

As of 31st December 2018, 81% of the cash and financial current assets are denominated in USD, whereas the Company accounts are in Euros, thereby exposing the Group to the risk of significant Forex losses in case of market movements on the Euro – USD exchanges rates.

The Group's balance sheet is also significantly exposed to Indian Rupee and Brazilian Real because of the significant investments made there for HEO, PAUK, TATO-1 and RODEIO BONITO concessions (Tangible and intangible assets) and because of the electricity sales in Brazilian Real of RODEIO BONITO (Yearly turnover).

The liquidity and trading value of foreign currencies could be affected by global economic factors, such as inflation, interest rate levels, and trade balances among countries, as well as the actions of sovereign governments and central banks. Adverse changes in currency exchange rates (relative to the U.S. dollar) may erode or reverse any potential gains from the Fund's investments in securities denominated in a foreign currency or may widen existing losses.

As of 31st December 2018 no hedging has been taken on the Property risk nor on risk of conversion of past or future income.

- Interest rate risk

The Group's cash is mainly invested in money market funds, deposit certificates, private and sovereign bonds, listed bonds, collateralized loan obligations, listed equity funds and listed equities and forward forex in Dollar, Euro and in other currencies of emerging countries where the Group is present. The Group is thus exposed to an interest rate risk and the financial result is thus sensitive to interest rate variation. The Group may lose money if short-term or long-term interest rates rise significantly or otherwise change in a manner not anticipated by the Group.
The total fair value of these financial instruments as of 31 December 2018 amounts to EUR 88.9 m.

- Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, investment in bonds, direct lending as well as outstanding receivables and committed transactions. The group invests in an extremely diversified array of financial assets including mostly : corporate and government bonds in local and reserve currencies, equities, direct lending and private equity investments (please section 3.1, financial assets). The group is mainly exposed to issuers in the BBB (EUR 7.8m), BB (EUR 14.6m), B (EUR12.0m) and Non Rated (EUR 13.9m) categories (as defined by Standard's and Poor Global Ratings, "SP").

Credit risk refers to the possibility that the issuer of a security or the issuer of the reference asset of a derivative instrument will not be able to make principal and interest payments when due. Changes in an issuer's credit rating or the market's perception of an issuer's creditworthiness or market macro movements may also affect significantly the value of the Group's investment in that issuer. The degree of credit risk depends on both the financial condition of the issuer and the terms of the obligation. Securities rated in the four highest categories by the rating agencies (for S&P : AAA, AA, A and BBB), are considered investment grade but they may also have some speculative characteristics, meaning that they carry more risk than higher rated securities and may have problems making principal and interest payments in difficult economic climates. The BB and B categories corresponds non-investment grade considered speculative, entailing more default risks. The Non Rated category correspond to issuers who have decided not to be rated by Credit Agencies. Their size and characteristics vary a lot. But most of them should be considered Non-Investment grade bonds. Investment grade ratings do not guarantee that the issuer will not default on its payment obligations or that bonds will not otherwise lose value.

<u>Depending on market conditions, but also on the business situation of each issuer, there is a risk that one or several issuers default totally or partly, resulting in significant losses for the Group.</u>

- Price risk,

Given Group's array of investments, it is highly sensitive to the evolution of financial markets, especially the evolution of stock and bonds quotes and currency rates, which cannot be predicted.

- Use of financial instruments for hedging

No particular financial instruments are used for price, credit or liquidity risk hedging.

- Effect on the Shares in case risks materialize

In case the risks listed under this section 5.6 materialize to a significant extent, the Company could lose part, or all, of its hydropower assets, as well as its financial investment, rendering thereby the return on investment unlikely for shareholders due to the then possible near zero value and illiquidity of the Shares.

6. Financial Position

6.1 Accounts of the Company

In accordance with the Law of 2002 and stock market regulations, the Company, given its size and listing market, is not subject to any obligation to prepare consolidated financial statements. The full and audited IFRS consolidation was adopted by the Group voluntarily until the financial year 2017 included. Considering the significant mobilization of resources and extra-costs it entails, the Company has decided to stop the establishment of audited IFRS consolidated financial statements from the financial year 2018 onwards. The Company however keeps publishing consolidated financial statements, being a balance sheet, an income statement, a cash flow statement and a statement of changes in equity, but unaudited and in a simplified and condensed form, excluding IFRS notes.

The Company also continues to publish its audited statutory financial statements in compliance with Lux GAAP accounting standards.

6.1.1 Balance Sheet Comparative table over the last 3 FY (consolidated and statutory)

in Thousand euros **CONSOLIDATED BALANCE SHEET**	**2018**	**2017**	**2016**
ASSETS			
Intangible assets	13 630	13 862	16 551
Tangible assets	8 674	10 315	12 893
Financial assets	67 407	63 103	50 696
Trade, receivables and other current assets	553	878	1 508
Cash and cash equivalents	30 383	37 536	54 449
TOTAL ASSETS	**120 647**	**125 694**	**136 097**
LIABILITIES			
Shareholder's Equity	118 220	122 790	133 266
Non-current liabilities	1 844	1 876	1 883
Current Liabilities	583	1 028	948
TOTAL LIABILITIES	**120 647**	**125 694**	**136 097**

in Thousand euros **STATUTORY BALANCE SHEET**	**2018**	**2017**	**2016**
ASSETS			
Financial assets	152 754	151 945	154 658
Trade, receivables and other current assets	189	359	375
Cash and cash equivalents	1 045	1 423	1 648
TOTAL ASSETS	**153 988**	**153 727**	**156 681**
LIABILITIES			
Shareholder's Equity	122 099	125 858	143 367
Current Liabilities	31 889	27 869	13 314
TOTAL LIABILITIES	**153 988**	**153 727**	**156 681**

6.1.2 P&L Comparative table over the last 3 FY (consolidated and statutory)

in Thousand euros CONSOLIDATED P&L	2018	2017	2016
Operating revenues	2 580	3 112	3 711
Operating Expenses	(4 727)	(7 768)	(3 954)
Depreciation, Amortization and provision	(696)	(3 135)	(6 425)
Other Operating income	514	2 960	13
TOTAL OPERATING RESULT	**(2 329)**	**(4 831)**	**(6 655)**
Financial result	3 071	(4 159)	5 863
Tax result	(203)	(576)	(566)
NET RESULT	**540**	**(9 566)**	**(1 358)**

in Thousand euros STATUTORY P&L	2018	2017	2016
Operating result	455	(5 704)	(53)
Financial result	(1 222)	1 158	4 938
Tax result	(5)	(3)	(4)
NET RESULT	**(772)**	**(4 549)**	**4 881**

6.1.3 P&L per share of ordinary activities - Comparative table over the last 3 FY (statutory)

CONSOLIDATED P&L PER SHARE	2018	2017	2016
TOTAL OPERATING RESULT	(2 329)	(4 831)	(6 655)
Number of shares at year end in thousand euros	6 281 967	6 605 442	7 805 442
Operating result per share in Euro (non-adjusted)	**-0.4**	**-0.7**	**-0.9**
Operating result per share in Euro (adjusted)[17]	**-0.3**	**-0.6**	**-0.9**
NET RESULT	540	(9 566)	(1 358)
Net result per share (non-adjusted)	**0.1**	**-1.4**	**-0.2**
Net result per share (adjusted)	**0.1**	**-1.2**	**-0.2**

[17] Adjusted by considering for 2018 and 2017 the same number of shares as those outstanding in 2016. The number of shares considered for each year includes own shares held at the end of the concerned year.

6.1.4 Intermediary Balance sheet and P&L – Unaudited Half yearly statements as of 30th June 2019

Unaudited half year balance sheet

Assets	30.06.2019	31.12.2018
Non current assets		
Intangible assets	13,785	13,630
Tangible assets	8,540	8,674
Non current financial assets	3,825	3,567
Total non-current assets	**26,150**	**25,872**
Current assets		
Current financial assets	70,112	63,839
Trade and other receivables	229	244
Income tax receivables	13	10
Other current assets	153	299
Cash and cash equivalents	26,791	30,383
Total current assets	**97,298**	**94,776**
Total assets	**123,448**	**120,647**

Liabilities	30.06.2019	31.12.2018
Equity		
Issued capital	6,282	6,282
Additional paid in capital	125,357	125,357
Other reserves and conversion reserves	(13,903)	(13,978)
Net income for the year	3,550	552
Equity attributable to the equity holders of the parent	**121,286**	**118,213**
Non-controlling interests	8	8
Total Equity	**121,294**	**118,220**
Non current liabilities		
Non current provisions	817	801
Other non current liabilities	1,064	1,043
Total non-current liabilities	**1,880**	**1,844**
Current liabilities		
Trade and other payables	216	515
Income tax payables	49	53
Other current liabilities	9	14
Total Current Liabilities	**274**	**583**
Total Liabilities	**123,448**	**120,647**

Unaudited half year P&L

Statement of Profit & Loss	30.06.2019	30.06.2018
Operating revenues	1,355	1,241
Other operating revenues	-	-
Total operating revenues	**1,355**	**1,241**
Purchases	(9)	(58)
External expenses	(723)	(788)
Payroll expenses	(1,243)	(1,291)
Operating tax expenses	(0)	(4)
Depreciation, Amortization & Provisions	(599)	(361)
Current operating result	**(1,218)**	**(1,262)**
Other operating income	9	511
Operating result	**(1,210)**	**(751)**
Financial Income	5,482	2,450
Financial expenses	(606)	(360)
Financial Result	**4,877**	**2,090**
Income tax expense (-) / benefit (+)	(117)	(96)
Net result from continuing operations	**3,550**	**1,242**
Net result, group share	**3,550**	**1,254**
Net result, shares of non-controlling interests	**-**	**(12)**
Earnings per share (in Euros)	0.61	0.21
Diluted earnings per share (in Euros)	0.60	0.20
EBITDA	**(611)**	**(390)**

Statement of total comprehensive Income	30.06.2019	30.06.2018
Net income	3,550	1,242
Other comprehensive income, that will not be reclassified subsequently to profit or loss	394	(2,035)
Total Comprehensive Income	**3,944**	**(793)**
thereof attributable to non-controlling interests	(0)	13
Group Total Comprehensive income	**3,944**	**(781)**

6.1.5 Dividends

The Company has not distributed dividends for the last 3 financial years

6.1.6 Sources and applications of funds over the last 3 FY

Sources and application of funds	2018	2017	2016
Sources of funds			
Issue of share capital			80
Cash Flow from operating activities	439	(4 049)	1 435
Sale of affiliates	491	2 144	-
Reimbursement of loan and advances	884		
Interests & dividends received	3 667	3 122	2 018
Net foreign currency translation differences			359
Balance brought forward from previous fiscal year	37 536	54 449	60 056
Total	**43 017**	**55 666**	**63 948**
Application of funds			
Acquisition of tangible and intangible assets	572	824	2 030
Of which Indian assets	*572*	*735*	*625*
Of which Indonesian assets	*-*	*89*	*1 405*
Acquisition of financial instruments	7 724	12 083	6 741
Acquisition of own shares	3 987	-	-
Loans and advances granted	-	5 072	728
Net foreign currency translation differences	351	151	-
Balance carried forward to following fiscal year	30 383	37 536	54 449
Total	**43 017**	**55 666**	**63 948**

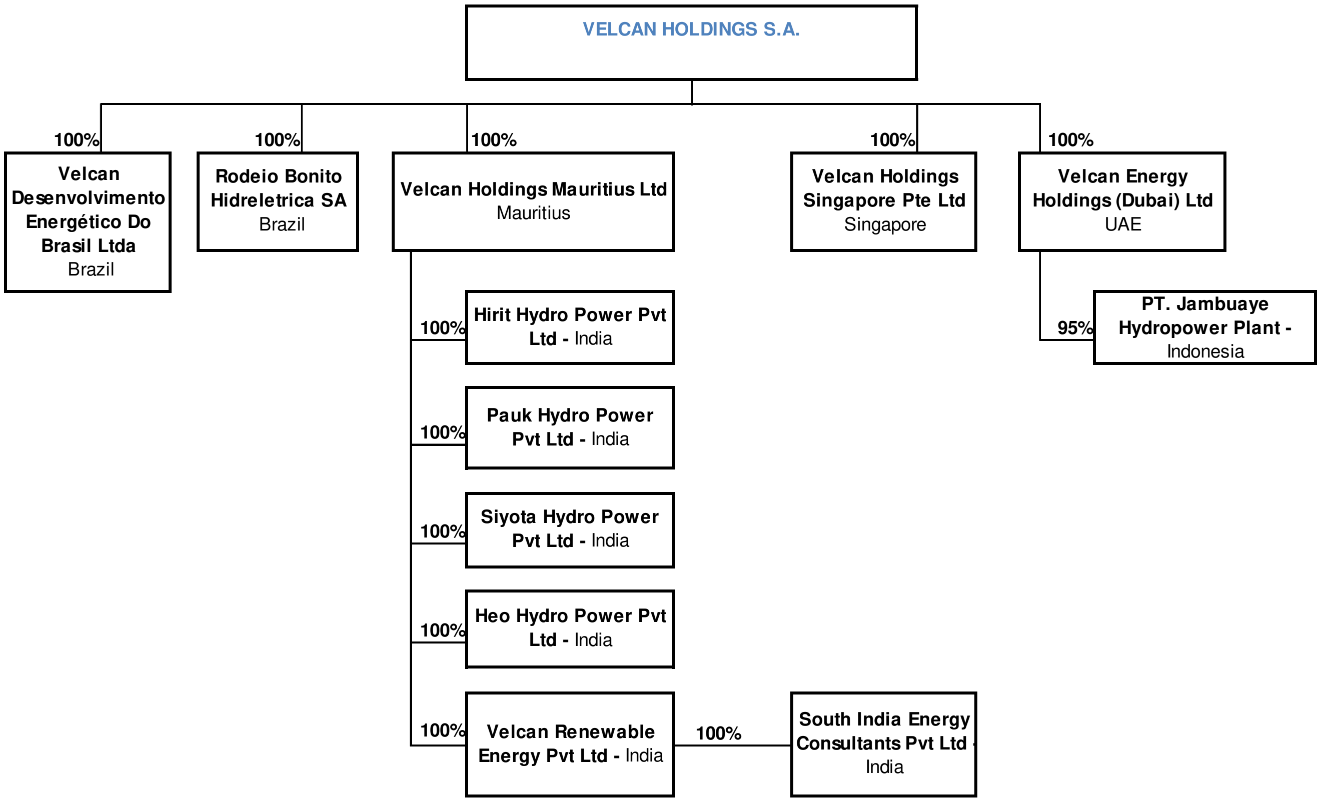
6.2 List of entities controlled by and perimeter of consolidation (31/12/2018 – non audited)

Entity name	Country	% controlled	Consolidation method
Velcan Holdings Mauritius Ltd	Mauritius	100%	Full integration
Velcan Holdings Singapore Pte Ltd	Singapore	100%	Full integration
Rodeio Bonito Hidreletrica Ltda	Brazil	100%	Full integration
Velcan Desenvolvimiento Energetico Do Brazil	Brazil	100%	Full integration
Velcan Energy Holdings (Dubai) Ltd	U.A.E	100%	Full integration
Pauk Hydro Power Pvt Ltd	India	100%	Full integration
Heo Hydro Power Pvt Ltd	India	100%	Full integration
Siyota Hydro Power Pvt Ltd	India	100%	Full integration
Hirit Hydro Power Pvt Ltd	India	100%	Full integration
Velcan Renewable Energy Pvt Ltd	India	100%	Full integration
South India Energy Consultants Pvt Ltd	India	100%	Full integration
PT Jambuaye Hydropower Plant	Indonesia	95%	Full integration

Considering the assets of the above mentioned subsidiaries, the participations held in Velcan Holdings Mauritius Ltd, Rodeio Bonito Hidreletrica Ltda, Pauk Hydro Power Pvt Ltd, Heo Hydro Power Pvt Ltd and Siyota Hydro Power Pvt Ltd are likely to have a significant effect on the assessment of the Company's own assets and liabilities, financial position or profits and losses.

PT Jambuaye Hydropower and Hirit Hydro Power Pvt Ltd are under voluntary dissolution as they do not carry projects anymore.

Group structure chart:



6.3 Consolidation principles

The condensed and simplified consolidated accounts are established following the same methodology and presentation as those used for the accounts published for the 2017 financial year, following the IFRS, and thus they maintain the comparability of the information and provide full information on the Group's financial position.

The principles and methodology are detailed page 31 of the annual report 2017, available under appendix 2 of the Prospectus.

6.4 No material change

There has been no material change in the prospects and the financial position of the Company since the date of the last financial information included in the prospectus.

6.5 Shareholders' information

The Company publishes online the following information:

- Every year before the 30th April, a complete annual report of the previous financial year which includes audited statutory accounts, condensed and simplified consolidated accounts, managements comments on the activity and financial position and various other regulated information. All reports published since FY 2010 are available on the Company's website.

- Every year before the 31st October, an intermediate half year report including non-audited, condensed and simplified consolidated accounts and managements comments on the activity during the first semester. All reports published since FY 2011 are available on the Company's website.

- Before every General Meeting, meeting notices, proposed resolutions, Board of Directors report and proxy vote forms. All these documents for general meetings since 2014 are available on the Company's website.

- All share buybacks are reported weekly online as per applicable regulations, whenever a buyback program is ongoing.

- Voting rights information.

- All Company news, available online for the past 10 years.

- In case of financial operation, all related notices such as dividends notices, rights issues, capital increases notices, etc.….

The Prospectus is available online at www.velcan.lu and on the website of the LuxSE at www.bourse.lu.

7. Administration, management and supervision

7.1 Board of Directors

The Company management body is its Board of Directors, composed of the following persons:

- Mr. Philippe PEDRINI, 81, rue de Pannebourg, B-6700 Waltzing, Belgique, Chairman of the Board of Directors;
- Mr. Jean-Luc RIVOIRE, 33 Tanglin Road, Singapore 247913, Director;
- Mr. Antoine DECITRE, 27, Bukit Tunggal Road, 309712 Singapore, Director;
- Mrs. Véronique WAUTHIER, 15 rue de Saeul, L-8562 Schweich, Luxembourg, Director; and
- Mr. Didier SCHÖNBERGER, 47 rue du Château, F-57970, Inglange France, Director.

Mr Antoine Decitre and Jean-Luc Rivoire are the founders of the Company. They control equally, along with families, LHP S.A, which itself holds 34.8% of the share capital of the Company. Mr Jean-Luc Rivoire also holds directly 1.4% of the capital and Mr Decitre also holds directly 1.9% of the capital (see section 4.2.7). Both Mr Rivoire and Decitre benefit from Free Shares grants as described under section 7.2 below.
Other members of the Board of Directors do not hold any shares, stock options or free shares.

For the financial year 2018, the Board of Directors members have received, either from the Company of controlled entities, payments totalling 1.948 k Euros towards compensations of various consultancy services, employment contracts and free share plans.

There has been no transactions effected by the Company, with the members of the Board of Directors, which are unusual in their nature or conditions during the preceding financial year and the current financial year.

There are no loans outstanding granted by the issuer to the members of the Board of Directors, and also no guarantees provided by the Company for their benefit.

7.2 Capital based incentive plans

The Company has granted Free Shares to various employees and management members of the Group. The annual report 2018 contains the complete report of free share transactions as of 31/12/2018.

During the FY 2019, 69 300 additional Free Shares have been granted to employees, with vesting periods between 3 and 6 years.

As of date, the Company the following Free Shares have been granted and are yet to be vested:

Free Shares plans	
Number of Free Shares yet to be vested	136 550
Free Shares to vest as on 31/12/2019	46 725
Free Shares to vest as on 31/12/2020	46 350
Free Shares to vest as on 31/12/2021	13 475
Free Shares to vest as on 31/12/2022	10 000
Free Shares to vest as on 31/12/2023	10 000
Free Shares to vest as on 31/12/2024	10 000
Type of beneficiary	Group employees / Executives
Transfer modality	Own Shares to be used, No issue of new Shares

Out of the above free shares yet to be vested, Mr Rivoire and Mr Decitre, members of the Board of Directors, are entitled to a total 32500 shares each, to vest in two equal tranches on the 31/12/2019 and on the 31/12/2020.

8. Recent developments and prospects

During the financial year 2019, the Group continued developing and consolidating its existing hydropower concessions located in India (571 MW) with the objective of bringing them to maturity and financial closure as soon as possible.

However these are complex and long term subject to a number of uncertainties due to their dependency on central and local Governments, regulations, local politics and domestic Indian power and lending and markets as explained under section 5.1.2. Therefore, at this stage, the Group cannot provide an estimated date for the financial closure and the start of construction.

The Group intends to pursue the development of these Indian hydropower projects. Meanwhile it will continue to manage actively its treasury with the objective of covering all the Groups operating expenses during the development period.

APPENDIX 1
Annual Report 2018

VELCAN Holdings

ANNUAL REPORT

MANAGEMENT REPORT
CONDENSED NON-AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AUDITED STATUTORY FINANCIAL STATEMENTS

FINANCIAL YEAR ENDED 31st DECEMBER 2018

VELCAN HOLDINGS SA
Société Anonyme with a capital of € 6 281 967
RCS Luxembourg, B 145.006
11, avenue Guillaume
L-1651 Luxembourg

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1. Key figures & Executive Summary

Velcan Holdings is a Luxembourg headquartered investment holding company founded in 2005, operating as an independent power producer in India and Brazil and managing a global portfolio of financial assets. The company owns and operates a 15MW hydro power plant in Brazil that it developed and built in 2009. Its major power project under development is a cascade of hydropower concessions located in India and totaling 571 MW.

Meanwhile Velcan Holdings actively manages its treasury, investing in listed and unlisted financial investments.

Non Audited Consolidated Financial Data in Million Euros

	31.12.2018	31.12.2017	Var %
§ Turnover	2.6	3.1	-17%
§ EBITDA	-1.6	-1.7	+4%
§ Net result	0.5	-9.6	NA
§ Cash & Financial assets	98	101	-3%
§ Market Capitalization	46	66	-30%
§ Cons. Equity	118	123	-4%
Issued shares less Treasury shares (in Thousands)			
§ Net outstanding shares*	5,813	6,226	-7%

*Issued shares less Treasury shares (in Thousands)

POWER PROJECTS PORTFOLIO UPDATE		31/12/18	31/12/17
GLOBAL	Portfolio of concessions and production facilities.	586 MW	657 MW
BRAZIL	Hydroelectric plant in operation	15 MW	15 MW
BRAZIL	Projects under development	0 MW *	53 MW *
INDIA	Projects under development.	571 MW	571 MW
INDO	Projects under development.	0 MW *	18 MW *

* The entire Brazilian and Indonesian portfolios were already fully impaired as of 31/12/2017. The decrease of the Indonesian portfolio to zero MW comes from the sale of the Redelong HEP (18 MW) in late June 2018. The decrease of the Brazilian portfolio comes from i) the cancellation of the Quebra Dedo HEP (10 MW) by the Brazilian Electricity Regulatory Agency (ANEEL) in January 2018 and ii) the withdrawal from the portfolio of Pirapetinga (23MW) and Ibituruna (20 MW) decided by the Group. These two projects were already fully impaired, not active and considered non feasible.

2. About the Group

Velcan Holdings is a Luxembourg headquartered investment holding company founded in 2005, operating as an independent power producer in India and Brazil and managing a global portfolio of financial assets.

The company owns and operates a 15MW hydro power plant in Brazil that it developed and built in 2009. Its major power project under development is a cascade of hydropower concessions located in India and totaling 571 MW.

Hydropower concessions provide long periods of cash generation but their development outcome is uncertain and many years are needed to bring these projects to maturity in emerging countries: it involves field studies in remote places, the assessment of many different environmental and technical parameters, obtaining the necessary authorizations and permits and land acquisition in political and regulatory environments that can be unstable or heavily hampering.

Hydropower development requires the prospection of a large portfolio of projects because only a few ones will eventually present competitive techno-economic parameters combined with low environmental impacts and will manage to obtain all the required approvals and permits. The Group has brought to an advanced stage of development two of the three Indian projects, forming a tandem of 426 MW which present attractive technical and economical features. With these projects, the Group is expecting to take advantage of the promising long term perspectives of the Indian economy.

Meanwhile Velcan Holdings actively manages its treasury, investing in listed and unlisted financial investments. As of 31st December 2018, 19% of the assets of the group are deployed in power projects or plants, 81% in listed and unlisted financial investments, and cash and cash equivalents (bank current accounts and deposits).

Velcan Holdings' headquarters are in Luxembourg, with administrative and financial offices in Singapore and Mauritius. The team dedicated to the development of the Indian hydropower cascade is based in New Delhi and at the project site (Arunachal Pradesh), and the team dedicated to the Rodeio Bonito plant is based in Sao Paulo and Chapecó.

3. Main events, activities, financial position and foreseeable evolution

3.1. Activities and main Events

Main events

During Fiscal Year 2018, VELCAN HOLDINGS Group continued developing and consolidating its existing hydropower concessions located in India (571 MW), and finalized its exit from Indonesia through the sale of its last advanced hydropower project there, the Redelong HEP (18 MW).

The Rodeio Bonito plant generated 21% more power than in 2017, which was a very severe drought year, although 2018 generation remains very moderate due precipitation levels still below historical average in 2018. At constant foreign exchange rates the turnover is stable because of the MRE impact (Energy Reallocation Mechanism, definition and explanation page 19), despite the increase in electricity generation. In Euro the turnover is down by 17% (EUR 2.6 m in 2018 vs EUR 3.1 m in 2017) due to the depreciation of the Brazilian currency in 2018. The EBITDA is up by 4% (EUR -1.6 m in 2018 vs EUR -1.7 m in 2017).

VELCAN HOLDINGS Group also continued to manage actively its treasury by diversifying its financial investments portfolio during the year, but was impacted by the important decrease of the USD against the EURO.

In January 2018, the Quebra Dedo hydropower project (10 MW) has been cancelled by the Brazilian Electricity Regulatory Agency (ANEEL). The Project had been stalled for several years because of administrative and environmental issues and had less than 15 years of concession left. The related development costs were already entirely provisioned in the Group's balance sheet since 2011.

In February 2018, the Company has launched a share buyback program between, which was completed on 27th June 2018 by the purchase of a total of 323,475 shares, at a weighted average price of EUR 9.38 and for a total amount of EUR 2,988,592. All the 323,475 shares bought back were cancelled accordingly on 29th June 2018 through a capital decrease from EUR 6,605,442 to EUR 6,281,967.

In late June 2018, the Group fully divested the Redelong Hydropower project, sold to an Indonesian industrial group. After the Meureubo 2 (59 MW) HEP and the Sukarame (7 MW) SHP were sold because of the administrative blockages encountered, including the unavailability of satisfactory PPAs, the Redelong HEP was the last project of the Group in Indonesia. The small size of the Redelong project (18 MW) did not economically justify having full operations in the country. Like other projects of the Group in Indonesia, the Redelong project costs were already fully impaired as on 31st December 2017. The sale price, which is to remain confidential, allowed only a partial recovery of such costs, given the uncertainties affecting the sector in Indonesia. As of the date of this report, the Company has shut down its entire operations in Indonesia.

In September 2018, the Company has launched a second buyback program. Under this program, the Company may purchase a maximum of 254,128 shares, representing 4.05% of the share capital, at a maximum purchase price per share EUR 8.1, hence for a maximum total amount of EUR 2,058,434.00 (excluding acquisition costs). As of 31st December 2018 the Company has bought back 94,793 shares at an average price of EUR 7.68 under this program. The full details of such ongoing buyback program are available on the company's website.

In September 2018, the Central Electricity Authority, Government of India, has extended the Techno-Economic Clearances (TEC) it had issued on 28th July 2015 to the Heo HEP (240 MW) and on 28th October 2015 to Tato-1 HEP (186 MW). After having re-assessed the progress and the situation of the projects, and after receiving a non-objection from the Government of Arunachal Pradesh, C.E.A has granted this first extension for a standard duration of 2 years, without altering the techno-economic parameters approved in 2015.

Activities overview

In India, the Group continued to develop the hydroelectric concessions obtained in 2007 in the State of Arunachal Pradesh. Techno-Economic Clearance (TEC), Environmental Clearance and Forest Clearance being complete for the tandem Heo-Tato-1 (426 MW), the Group focused on the main next development steps for these 2 projects, which are the post TEC site investigations and studies, the land acquisition, the transport infrastructure, the amendment of the concession agreements, the stage 2 Forest Clearance and the preliminary search for a bankable Power Purchase Agreement (PPA).

Apart from the site investigations, these requirements are however mainly under the purview and responsibility of the State and Central Governments and the Group scope of work in this regard is to file applications, to attend requests, to provide support to Government services and to follow-up and pursue the procedures.

During 2018 progress has been made towards the procedure of land acquisition, which has passed successfully the preparation of the Social Impact Assessment, the related public hearings and finally the official consent of the land owners to the acquisition of their land, which is a major step for the project (se details under Part I Section 4). However, administrative issues related to Land status are still the most sensitive and significant issues, which keep slowing down the development of the projects. VELCAN HOLDINGS considers that as per the current concession agreement 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 with the Government of Arunachal Pradesh for such an extension of the concession agreement are still opened but have not progressed in 2018.

The timely availability of appropriate road infrastructure is also an important issue that VELCAN HOLDINGS has been attending with the Central Government whenever possible, although no progress has been made by the Government on this side during FY2018. The scheduled dates of completion of the roads upgrade are still scheduled in 2022 and the budgets for speeding such date have not yet been sanctioned.

During 2018, the commercial and financial market conditions have remained the same and still do not fulfil the requirements for the sale of hydropower, as the market remained constrained by the lack of proper regulatory framework for the sale of hydropower through long term bankable PPAs and the stressed financial position of electricity distribution companies (DISCOMS).

No additional provision has been decided for FY 2018 (In view of the uncertainties of the Indian market and the delays encountered, the Company had decided already decided to book a provision in 2017, of EUR 2.2m (16%) on the intangible value of the Indian projects).

In Brazil, the Rodeio Bonito Hydropower plant (15 MW) recorded a production of 49 987 MWh in 2018, 21% above the 2017 generation (41,321 MWh). This increase is essentially due to precipitations improving this year after the severe drought that hit Brazil in 2017. However the turnover when converted in the Brazilian currency (BRL) was stable because of the impact of both the Brazilian currency depreciation and the impact of the MRE (definition and explanation page 19) system. As a consequence of better precipitations, payments to the MRE were however down at EUR 0.4m in 2018 vs. EUR 1.3m in 2017. The EBITDA of the plant (earnings before interests, taxes and amortization) amounted to BRL 7.3m against BRL 4.5m in 2017. When converted in EUR, the EBITDA was up to EUR 1.7m vs 1.2m in 2017 despite a 17% depreciation of the average rate of the Brazilian currency vs Euro currency between 2017 and 2018.

In Indonesia, the Group has sold the Redelong HEP (18 MW). After the Meureubo 2 (59 MW) HEP and the Sukarame (7 MW) SHP were sold because of the administrative blockages encountered, including the unavailability of satisfactory PPAs, the Redelong HEP was the last project of the Group in Indonesia. The Company has fully divested the project on 28th June 2018, sold to an Indonesian industrial group. The small size of the Redelong project (18 MW) did not economically justify having full operations in the country. Like other projects of the Group in Indonesia, the Redelong project costs were already fully impaired as on 31st

December 2017. The sale price, which is to remain confidential, allowed only a partial recovery of such costs, given the uncertainties affecting the sector in Indonesia.

As of the date of this report, the Company has shut down its entire operations in Indonesia.

Financial Assets: as it has done since 2005, and very actively since 2008, the Group has kept managing its treasury to cover the operational costs and provide financial returns. The Group has invested over the years in an extremely diversified array of financial assets including mostly : corporate and government bonds in local and reserve currencies, equities, derivatives, direct lending and private equity investments.

In 2018, the group main investments have been mainly in corporate bonds again. After an important increase between the beginning of 2016 year when the exposure was EUR 28.9 m and the end of 2017, the exposure has stabilized from 49.9 m at 2017 year end to 50.1 m at 2018 year end. The group is mainly exposed to issuers in the BBB, BB, B and Non Rated categories (as defined by Standard & Poor's). The maturities span a wide range. Although the majority is less than 6 years, some bonds have more than 30 year maturities. A few are of perpetual nature. In 2017 the group invested in majority in USD bonds, from issuers coming both from developed markets and emerging markets. At year end the biggest lines (above EUR 2.0 m of exposure) of the Group are with the following issuers : CMA CGM (France), Olam (Singapore), BBVA Bancomer (Mexico), NORDDEUTSCHE LANDESBANK GIROZENTRALE (Germany), TRAFIGURA GROUP PTE LTD (Singapore), UBS AG (Switzerland), COMCEL TRUST (Guatemala), OMAN TELECOMMUNICATIONS LTD (Oman), the republic of Argentina and PUMA INTERNATIONAL FINANCING SA (Singapore). These bond investments had performed very well in 2017 at constant exchange rates but the Group suffered from the US dollar weakening. In 2018 the performance has been negative, although less so than the market, but the US dollar strengthening has compensated the losses. The Group has invested in bonds since 2008 and it has proved a good way to enhance the profits of the Group so far. The Group has only suffered one default (OI/Brazilian telco operators) in its history of bond investments. This default has costed the group EUR 0.3 m. This loss is materially less that the extra gain that the group has derived from investing in bonds compared to staying in cash. The fact that the Group has suffered little from defaults in the past is no predictor that it will not do so in the future.

As of December 2018, the Group also owns private investments worth EUR 4.6m including private equity (EUR 1.3m) and direct lending (EUR 3.3m).

Most part of Private equity and direct lending investment are invested in the shipping sector. Given the recent poor performance of this sector these investments have contributed negatively to the performance of the Group between 2016 and 2018. In 2016 the Group, as part of the management of its USD treasury, has accorded a direct senior loan of USD 1.6 Million to a third party for financing the acquisition of a chemical tanker. The loan was secured by a first preferred mortgage. Since then the borrower has defaulted and the vessel has been arrested in Nigeria by other alleged creditors. The loan has been restructured with a new borrower and the Group has engaged procedures to lift the arrests and recover its dues. Several arrests have already been lifted. As of 31st December 2018 the principal amount plus various recoverable expenses related to the recovery of the said loan amounts due under the restructured loan is USD 4.9 m. The amount due by the new borrower remains secured by a first rank mortgage on the said vessel. To the extent that the recoverability of the loan will depend ultimately on the resolution of the legal disputes in relation with the ownership of the vessel and potentially the enforceability of the mortgage, a partial impairment has been booked in the accounts. Due to potential negotiations, the impairment amount is kept confidential.

The Group is actively monitoring these investments in the shipping sector to try to maximize their value.

As of December 2018, the Group had investments worth EUR 2.3 m in listed equities, EUR 2.5 m in equity funds. The Group believes the current equity markets provide no sufficient reward vs the risks entailed by their level. Were the situation to change, the Group may reinforce significantly its investments in listed equity. The Group has increased its position in hedge funds up to EUR 7.9 m against EUR 2.5 m in 2017.

As of December the Group financial assets were mostly exposed to the US Dollars.

Finally a significant part of the treasury of the Group was kept as of December 2017 in cash or cash equivalents (EUR 30.4m equivalent). Starting from a very low base, the recent increase in US Treasury rates means these deposits now provide some marginal income.

3.2. Unaudited and condensed financial statements

Income Statement

Turnover amounted to EUR 2.6m (against EUR 3.1m in 2017, a 17% decrease), mainly from electricity sales. The turnover in local currency remained stable. The depreciation of the Brazilian currency vs the Euro currency was responsible for such decrease.

Current operating results amounted to EUR -2.8m (against -7.8m in 2017):

- Payments by Velcan for the MRE (Energy Reallocation Mechanism) (definition and explanation page 14) were EUR 0.4m in 2018 vs. EUR 1.3m in 2017 because of better precipitation and plant operators protection in Brazil.

- Depreciation and amortization of tangible and intangible assets of Rodeio Bonito plant amounted to EUR 0.7m (EUR 0.8m in 2017), while depreciation on intangible projects under development was NIL vs an amount of EUR 2.3m, mainly on Indian projects, in 2017.

- Staff expenses amounted to EUR 2.9m in 2018 vs EUR 4.5m in 2017 (2017 increase was due to the impact of an allocation of free shares to the benefit of the management and the employees of the Group. Simultaneously equity warrants and stock options were cancelled. The allocation had no impact on cash and on shareholder's equity. The Group employed on average 24 permanent employees in 2018.

External expenses are totaling EUR 1.5m in 2018 vs EUR 2.0m in 2017 and include audit fees as detailed below as well as:
- EUR 0.5m of expenses related to Rodeio Bonito operation
- EUR 0.2m of rental expenses
- EUR 0.6m of investment management, legal, accounting, consultancy and bank fees
- EUR 0.1m of travel and entertainment expenses
- EUR 0.1m of insurance premiums

In thousands of Euros	31.12.2018	31.12.2017
Statutory auditor fees (BDO Luxembourg)	10	5
Consolidated audit fess (BDO Luxembourg)	-	45
Other Annual accounts auditor fees (BDO)	20	35
Total	**30**	**85**

Net Financial Gain for the group amounted to EUR 3.1m in 2018 mostly because of the USD appreciation (4.4% compared to end of 2017) and its impact on the Group's cash and financial assets position (see breakdown per currency page 24) despite poor financial performance on VELCAN's investments excluding forex. This gain of 3.1m compares to EUR -4.2m in 2017.

In 2018, other operating income consisted mainly of divestment gains on Indonesian assets while the costs were fully impaired (EUR 0.5m of gain in 2018 vs EUR 3.0m in 2017 when other Indonesian assets had been divested).

Income tax expense amounted to EUR -0.2m in 2018 vs EUR -0.6m in 2017 (where the Group suffered deferred tax depreciation).

The net result, Group share, was EUR 0.6m in 2018 FY compared to EUR -9.6m in 2017 FY.

The Group's EBITDA (earnings before interests, taxes, depreciation and amortization) reached EUR -1.6m compared to EUR -1.7m in 2017.

The depreciation of BRL and INR (Indian Currency) rates when compared to Euro, at 2018 closing date, has negatively impacted the other comprehensive income as the Group's main investments (tangible and intangible) have been done in local currency (EUR -1.7m in 2018 against EUR -3.4m in 2017). The total comprehensive income amounts to EUR -1.2m in 2018 against EUR -13.0m in 2017.

Balance sheet

Assets:

Net intangible assets stands at 13.6m in 2018 and are down by EUR 0.2m versus 2017 because of INR and BRL currencies depreciation vs Euro during the year.

Net tangible assets stands at 8.7m in 2018 and decreased by EUR 1.6m between 2017 and 2018, mainly because of depreciation of the plant (EUR -0.6m) and because the Rodeio Bonito Hydropower plant being booked in BRL currency, foreign exchange impact on retranslation of the Rodeio Bonito power plant resulted in a EUR -1.0m loss (EUR -1.7m loss for 2016 FY).

Cash, cash equivalent assets and financial assets have decreased from EUR 101m in 2018 to EUR 98m in 2017 (-3%) mainly because of share buyback programs.

Financial assets are mainly consisting in listed bonds and equities:

Thousands of Euros	31.12.2018	31.12.2017
Financial assets designated at fair value through profit and loss	62,968	56,202
Loans and receivables	872	1,667
Total Current Financial assets	**63,839**	**57,869**
Financial assets designated at fair value through profit and loss	886	1,840
Loans and receivables (1)	2,681	3,396
Total non-current financial assets	**3,567**	**5,236**
Total financial assets	**67,407**	**63,105**

Finally total assets decreased by 4% during 2017 FY (down by EUR 5.0 m).

At 31st December 2018, the Group (Velcan Holdings and its subsidiaries) holds 468,862 own shares (2017: 379,332), which include the shares purchased under the second buyback program (Part III, note 5.2) and 374,069 shares previously held by the Group (271,843 are held by Velcan Holdings – Part III, note 4). At year end closing price of EUR 7.40 those own shares have a market value of EUR 3.47m.

Liabilities:

Non-current provisions amount to EUR 0.8m at 31 December 2018 and arise from litigations related to the 2 biomass plants previously owned by the Group (Satyamaharshi SMPCL – 7.5 MW and Rithwik RPPL – 7.5 MW, owned between 2006 and 2010). The existing provision represents the major part of the claims covering as well accumulated interests and judicial expenses. [1]

Own shares, booked directly against Equity of the Group at their historical cost, reduce the net shareholder's equity of the Group by EUR -3.9m versus EUR -3.2m at 31st December 2017 following the share buyback programs (323,475 repurchased and cancelled in 2018 first semester and 94 793 repurchased and not yet cancelled as of December 31st 2018) and the use of 5,263 shares for share based payments.

As at 31st December 2018, unrealized losses on conversion reserves, booked directly against Equity amounted to EUR -9.5m versus an unrealized loss of EUR -7.8m at 31st December 2017, mainly because of the BRL depreciation (see above comment on comprehensive income).

With a consolidated equity of EUR 118.2m (-EUR 4.6m compared to 2017), the Group still has no significant debt as of 31st December 2018. Various provisions, payables and financial instrument liabilities amount to EUR 2.4m (vs EUR 2.9m 2017).

3.3. Foreseeable evolution of the Group:

After the closing of this financial year, the Group is pursuing the following main objectives as a priority for FY 2019:

- Pursuing the development of the Indian hydropower projects;
- Continue the diversification of its financial investments;

[1] Following the purchase of SMPCL in April 2006, 2 main litigations are still going against the sellers. One is a claim from the sellers for the payment of retention money under the SPA, amounting to EUR 0.3 m at 31/12/2018 closing rates, plus interests at 18% per year. The Group considers the alleged claim is untenable given the issues and liabilities discovered after the acquisition of SMPCL. The other is also claim by the sellers denouncing an alleged delay in the substitution of their personal guarantees given to the creditors which financed the construction of the biomass plant. They are claiming EUR 0.1m (at 31/12/2018 closing rate) plus interest. The Group considers this demand as frivolous.

4. Detailed evolution of the business

This year has been devoted to the continuation of the development of the Indian concessions, to completing the divestment from Indonesian Projects, to the search for new investment opportunities that would grow the Group's cash position, and to the continuation of the rationalization of the cost structure.

Summary of concessions as of 31 December 2018

Project Name	Country	State	Size (MW)	Ownership (%)	Remaining years of concession
PCH Rodeio Bonito	Brazil	Santa Catarina	15	100%	16
Subtotal Brazil			***68***		
Yarjep / Heo	India	Arunachal Pradesh	240	100%*	40
Yarjep / Pauk	India	Arunachal Pradesh	145	100%*	40
Yarjep / Tato I	India	Arunachal Pradesh	186	100%*	40
Subtotal India			***571***		
TOTAL			**586**		

This chart contains prospective data related to the potential of ongoing projects or projects of which the development is under progress. This information represents objectives related to projects and should not be interpreted as direct or indirect profit forecasts. The realization of these objectives depends on future circumstances and could be affected and/or delayed by known or unknown risks, uncertainty and various factors of all kind, especially linked to the economic, commercial or regulatory context, and that, in case of occurrence, could have a negative impact on the activity and the future performances of the Group.

* *Indian Projects: the negotiations for the update and amendment of the concession agreements with latest installed capacities and project implementation timeframe are going on.*

Indian hydroelectric projects development

The Group pursued the development of the hydropower concessions obtained in 2007, a cascade of three projects, the capacity of which was increased to 571 MW in 2013 after approval by the central authorities.

Tato 1 HEP (186 MW) and Heo HEP (240 MW):

The feasibility studies have been completed and all the three major authorizations have been obtained in 2015: Techno-Economic Clearance (TEC), Environmental Clearance (EC) and Forest Clearance (FC). Very few privately held hydro projects have reached such level of development in Arunachal Pradesh – and in the Indian Himalayas. Since late 2015 the Group is focusing on the project main next steps as described below.

- Post TEC technical investigations and studies

Most post TEC field studies and investigations at site required at this stage by Central Electricity Authority have been already completed between 2016 and 2017. The detailed tender design level topographical surveys of project components (power houses and intake areas) and internal project roads has been completed for Heo HEP and Tato-1 HEP intake site and roads as of May 2017. The detailed topographical survey of the Tato-1 HEP power house and adit sites could still not be completed because the suspension bridge destroyed in 2017 has still not been rebuilt, leaving the concerned sites inaccessible as of date. Sedimentation studies initiated in April 2016 have been completed. For the past 10 years hydrological measurements have been conducted. The Group has now completed a dependable and detailed set of studies and investigations which will bring the Projects to the main next technical step, the tender level design.[2] It will start along with the beginning of discussions with power purchasers and EPC contractors, when the projects will move towards financial closure.

- Amendment of the Concession Agreement

Following the TEC, which has frozen the installed capacity of the projects to 426 MW, the Group has engaged the process for amending the concession agreement in order to amend such installed capacity. The negotiations with the Government of Arunachal Pradesh cover several matters such as a new implementation timeframe for the projects, the administrative fees related to the execution of the new concession agreement, a minority equity participation requested by GOAP, and the final quantum of free power due to the Government once the project will be commissioned. Discussions are still under way.

[2] for Tato-1 power house it will be the case when the aforementioned bridge is rebuilt and detailed topographical survey completed.

➢ Land acquisition

Under the concession agreement and applicable regulations, the land is to be acquired by the State government and then leased to the project developer. Due to the absence of land registry in tribal areas and to the complexity of the applicable regulations, this remains one of the major challenges. The procedure involves notably a social impact assessment, public hearings and consultations, public consents for acquisition of the land, field surveys, administrative ownership surveys and rehabilitation/resettlement plans.

In June 2016, the Group has submitted applications to the Deputy Commissioner of the West Siang District, Arunachal Pradesh in order to initiate the acquisition of the land required for Tato-1 and Heo HEPs. A Notification has been issued by the Commissioner, Land Management, GoAP in February 2017 appointing the Rajiv Gandhi University, Itanagar, Arunachal Pradesh as Social Impact Assessment unit. The Notification of the start of the Social Impact Assessment (SIA) has been issued by the Government on 3rd August 2017, and first onsite site surveys and interviews of the local public by the SIA Team surveys have been conducted in September 2017. The SIA and Social Impact Management Plan (SIMP) draft reports have been completed and submitted to the district administration on 26th December 2017. The public hearings required by the regulations in order to discuss the SIA and the SIMP with the local public have been held in all the 9 concerned villages on 23rd and 24th January 2018. During the hearings, the local people have expressed their support in favor of the projects, and expressed their concerns notably about the future influx of a migrant population of workers during construction. The SIA unit has concluded the projects entail more benefits than costs and has submitted the final SIA and SIMP reports to the State Government on 2nd February.

Such SIA & SIMP reports have been reviewed by the Expert Group (an independent body appointed by the Government on 14th February 2018), which assesses the costs and benefits of the project and its public purpose. The Expert Group has held a meeting on 29th March 2018 but has not yet issued any recommendation to the State Government, to the best of our knowledge, to determine whether or not the land required for the project shall be acquired.

Meanwhile, the District Administration has initiated the procedure to establish the land revenue registry and to collect the consent of at least 80% of the land owners (as required by Law) through a prefectural decree dated 21st March 2018. This implies a discussion between the Government and the affected populations for the establishment of a list of owners and the determination of the quantum of land which belongs to each owner (land revenue registry), so that the financial compensations can be distributed amongst the owners. Considering a significant part of the land is disputed between clans or within the same clans, in particular in the Heo Project land, the Group expects this procedure to take time. Following site surveys and meetings conducted on 28th April, 9th and 10th May 2018, the District Commissioner has issued preliminary reports starting to identify clan wise collective ownership of the different land parcel. These reports are incomplete as they do not yet list individual ownerships and sometimes list several clans on single parcels without any breakup between the concerned clans. They recorded 32% of Heo HEP sites and 4% Tato-1 HEP sites as under dispute and the Group believes these preliminary reports do not yet take into account all existing claims and disputes. Claims can be registered later during the course of the process and the Group also foresees that it is likely that more claims will be presented, notably before the establishment of individual ownerships or allocation of shares of financial compensations (for the complete land owners registry). Due to the above insufficiencies, the District Administration has undertaken to establish an improved revised list which was issued on 28th January 2019. The new list has detailed project component areas per land owners / claimant and mentioned when ownership is recorded on behalf of clans (community land). However the disputes have not been cleared in such list, and it is still likely more claims will arise at the time of financial awards to be made by the State Administration.

Based on this second list, the District Administration issued on 15th February 2019 the notice calling for the meetings of the Gram Sabhas (11 village councils) and Affected Land owners (18 clans registered in the above mentioned list). The meetings have been held on 11th and 12th March 2019. All the 9 village councils have voted their consent to the acquisition of land for the development of the projects. 85% and 83% of the Land owners have individually given their consent in the Heo and Tato-1 projects respectively, thereby fulfilling the legal requirement of 80%. On 13th March 2019, the District Commissioner issued its report to the State Government Land Department in view of issuance of Section 11 notification. Such notification validates the procedure previous steps (SIA, hearings, etc.), acknowledges the consent of the land owners and approves that the land is to be acquired for the Projects. As per the applicable regulations, the State Government was bound to issue the Section 11 notification by 27th March 2019 (within 12 months following the Expert Group recommendation). However, due to the ongoing preparation local elections due in April 2019, and the applicability of the Code of Conduct during such pre-elections period (which prevents the Government from undertaking anything else than day to day current affairs), the State Government has issued in late March 2019 an extension of time until 26th September 2019 for issuance of the Section 11 notification.

Once section 11 will be issued, the State Government will have to conduct another set of surveys and procedural steps such as detailed and individual census of affected facilities, marking land boundaries, hearing of individual objections, preparation of Rehabilitation & Resettlement plans (section 19), public hearing on such plans, financial awards (Sections 23 and 31), and the physical possession of the Land (Section 38). One of the sensitive steps of the procedure will be to award financial compensations as it should require the State Government to determine precisely the land revenue registry and /or to settle the disputes.

As currently experienced with the Pauk HEP, and earlier with Heo and Tato-1, in practice the physical access to the land to perform site works can be difficult and impeded despite on paper surveys and administrative decisions, which are often weakened by the lack of Law and Order enforcement.

As per our knowledge it is the first time the State Government acquires land under this new Land Acquisition Act (2013) and the procedure is complex. The Group's teams are in daily contact with the concerned authorities and actively supports and follow-up the procedure.

- Road infrastructure timely availability

The public roads leading to the project sites are undergoing an upgrade and widening program, which will, once completed, allow the transportation of construction and electrical & mechanical equipment. The last stretches totaling 87 Km are currently scheduled or expected to be ready between 2020 and 2022. A joint survey has been conducted in November 2016 between Velcan's Team and the Border Roads Organization (BRO/Ministry Of Defense) in order to assess what stretches are critical in view of making sure the BRO would have them ready earlier. Following several joint meetings under the umbrella of the Ministry of Power (MoP, Govt. of India), MoP has submitted a request to the Ministry of Defense for that purpose. Tentative budgets have been prepared by the Ministry of Defense in November 2017 and February 2018. Further tripartite discussions are still expected to continue but no further progress was made by the Central Government since then, despite the request of the Group. However, the new hydropower policy published on 7th March 2019 provides for budgetary support to be granted to hydropower for road infrastructure development, which may help in the future to speed up road works completion (see below the details on this policy).

- Forest Clearance

The Projects have already obtained the Forest Clearance stage 1. The issuance of the Forest Clearance stage 2, which allows to physically take over the forest land (subject to land acquisition by the Sate Govt. being complete), is subject to the fulfilment of some conditions (in addition to the land acquisition). The Forest Clearance stage 1 issued by the Ministry of Environment and Forests (MOEF, Govt. of India) notably requires the State Government to identify additional compensatory afforestation land (land where forest is to be replanted) of 7 Ha for Heo HEP and 12 Ha for Tato-1 HEP. The State Government has proposed to the Ministry a piece of land in 2016, which has been rejected in January 2017 as inappropriate for afforestation purpose by the MOEF. Another proposal has been sent by the State Government to the MOEF in November 2017. MOEF has requested additional technical clarifications in May 2018, which are currently under examination at State level.

On a separate matter, in view of some technical layout adjustments required for one access road and several quarry sites, the Group submitted in June 2017 an application for the approval of such changes which will amend some of the technical features and maps of the Stage 1 Forest Clearance. The application has been approved by the District Forest Department in February 2018 for both projects. The State Government has approved the amendment for the Tato-1 HEP and forwarded it to the Ministry of Environment and Forests on 29th June 2018 for final approval, which is pending as of date. The approval for the Heo HEP amendment at State level has been obtained and has been forwarded to the MOEF 21st November 2018 and is still pending there. As part of this revision of the forest land layout maps, the revision of the entire procedure under the Forest Right Act (FRA) also had to be conducted and completed. This regulation aims at ensuring forest dwellers and tribal populations are agreeable to the project in their area and that their traditional rights are preserved (such as fishing rights or use of timber for example). It involves multistage collegial approvals by different local authorities, from the village councils (approved in March 2018) to the State level district committee (in July 2018). The final compliance certificates have been issued for both projects on 31st July 2018 by the State Government.

- Availability of bankable Power Purchase Agreement(s)

The sale of hydroelectricity is facing several challenges. Whereas solar and wind power have benefited both from a well-defined tariff based bidding procurement procedure and a political willingness to increase installed capacities for a long time, hydropower PPAs remain to be signed under a bilateral MOU route with a post COD tariff approval by state regulatory commissions. The lack of clarity of such procedures is one of the factors dissuading DISCOMS to sign long term hydro PPAs. For example the present procedure leaves the sensitive question of cost-overruns bearing widely opened, and DISCOMS do not want to bear such risk given the potential cost overruns faced by hydropower projects.

In addition, solar and wind tariff have fallen dramatically over the past years with some auctions touching as low as Rs 2.50 per unit in 2018, whereas most competitive hydro power projects are often more significantly more expensive, although their lifespans normally makes them cheaper on the long term. A solar plant has a lifespan of approximately 20+ years whereas a hydropower concession sells power for 40 years, after which the plant is handed over for free to the state and still has decades to run. Although hydropower does not compete directly with solar power because it sells very long term, predictable and peak power the overall market is impacted by solar and wind tariffs. As a result of these low solar and wind power tariffs, coupled with the current Renewable Power Obligation[3] imposed on them by the Indian renewable energy policy, the DISCOMS have not been inclined to signing long term hydro PPAs in recent years.

Another negative factor lies with the overall demand – supply scenario as most states currently have contracted capacities in excess of their demand, due to lower than anticipated demand and robust / on-schedule generation capacity additions.

However this situation should not last because a steady demand growth is expected in the next ten years, which, coupled with absence of investments in coal based capacities, should absorb excess capacities in most states.

Regarding the UDAY scheme (refinancing Government Scheme to improve the financial health of distribution companies), the effects on hydropower PPAs market is yet to be seen.

The Government of India has however undertaken to reverse the above negative scenario by publishing on 7th March 2019 a new hydropower policy which features the following main measures:

i. Large Hydropower Projects to be declared as Renewable Energy source (as per existing practice, only hydropower projects less than 25MW are categorized as Renewable Energy).
ii. Hydro Purchase Obligation (HPO) will be imposed on DISCOMS and included as part of non-solar Renewable Purchase Obligation, which means DISCOMS will be obliged to purchase hydropower. Annual HPO targets will be notified by Ministry of Power based on the projected capacity addition plans in hydropower sector. Necessary amendments will be introduced in the Tariff Policy and Tariff Regulations to operationalize HPO.
iii. Tariff rationalization measures including providing flexibility to the developers to determine tariff by back loading of tariff after increasing project life to 40 years, increasing debt repayment period to 18 years and introducing escalating tariff of 2% have been introduced. The purpose of these measures is to lower the first years' tariffs. The modalities of new tariff calculations will be determined by the Central Electricity Regulatory Commission.
iv. Budgetary support is to be granted by the Government towards development of infrastructures such as roads and bridges on case by case basis, limited to Rs. 15 m (193 kEur) per MW for projects up to 200 MW like Tato-1 HEP and and to Rs. 10 m (128 kEur) per MW for projects above 200 MW like Heo HEP.

In principle the above new policy is a good news, and it marks a long awaited shift in the Government of India policy towards establishing a regulatory framework facilitating the signing of long term PPAs and supporting hydropower development. The details and implantation modalities remain to be seen and VELCAN HOLDINGS is following up closely the evolution of this new framework.

No additional provision has been booked for FY 2018 (for FY 2017, the Company booked a provision of EUR 2.2m (16%) on the intangible value of the Indian projects).

Pauk HEP (145MW):

The project progress continues at a slower pace, commensurate with the Project's specific technical and administrative characteristics. After several months of technical discussions, the Company obtained from the

[3] This RPO forces DISCOMS to purchase 15% of their electricity from renewable sources, which include solar and wind power but exclude hydropower above 25 MW/

Central Water Commission (Govt. of India) the approval of the project basic design in April 2017, and the approval of the geological investigation plan from the Geological Survey of India in August 2017. Based on such approvals the next step is mainly to conduct the approved investigation plan. However the performance of site investigations remains subject to the clearance of landownership disputes. As an example, after several months of negotiations, a work order to shift a drilling machine at Pauk Power house site could be signed and shared between several clans on 23rd March 2018. The drilling equipment could be transported on a part of the required path during the month of May 2018 and accesses prepared in September 2018. However thereafter new inter-clan disputes interrupted the work. Orders have been issued by the district administration to direct the restart of the work, and several discussions have going in October 2018 and February 2019 between the concerned clans, but without success as of date. Such disputes have often slowed down or prevented activities at the site in the past years. The Group will keep supporting and pushing this project as it features a diurnal reservoir which would allow the entire cascade to generate peak power 3 hours daily at full capacity.

A peaking capacity may in the future make the cascade more attractive and / or increase its profitability. Due to the massive addition of variable and unpredictable renewable capacities (solar and wind) during the past years and planned until 2027, the Indian grid is expected to be more and more impacted by sudden changes often occurring in solar and wind generation, thus risking stable and safe grid operations. Peak hydropower is a solution to this issue as it allows the flexibility to inject power on demand very quickly, and could therefore answer specific needs. The opportunity for hydro in this regard will also depend on the efficiency and cost effectiveness of other storage based solutions such as batteries.

Overall perspectives in India:

VELCAN Holdings keeps making progress in areas that depend on itself and continues to see long term promising prospects in the Indian electricity market.

In the current advanced project development phase, most activities are under the purview of local and national Government entities, including instrumental land acquisition and road infrastructures. These activities are progressing at variable paces but generally slowly and they regularly encounter impediments and delays. Progress is also always subject to political and legal risks such as changes in legislation and / or government. On this side, the Group takes note of the new hydropower policy released in March 2019 which has been decided by the Government of India. Although the results will take some time and depend on implementation modalities not yet known, this policy is a significant measures and positive sign towards the recovery of the hydropower market.

Until now, the Indian commercial and financial market conditions have not been favorable to the sale of hydropower, as the market has remained constrained by the indirect competition of RE tariffs, the bad financial health of electricity distribution companies (DISCOMS), the insufficient regulatory framework not allowing the sale of power through long term bankable PPAs and the heavy exposure of the banking sector to bad infrastructure loans. The impact of the new hydropower policy on this current scenario is yet to be seen.

In terms of long term power demand, even if some states are in power surplus scenario on the short term (1-2 years) they would all be experiencing peak and average deficits at the end of 2022. The demand could even become significantly larger (> 20 GW) if new MOEF norms for coal based power plants are enforced to meet emissions standard and if renewable energy capacities are under achieved. That leaves room for the procurement of hydropower by DISCOMS if a proper regulatory framework is in place.

Also, in 2018 and 2019 there has been few cases of DISCOMS calling for expression of interests to purchase long term hydropower, for a supply of power in 2019. Although another a positive sign, these initiatives have not yet resulted in the signature of any bankable long term hydropower PPAs by private developers of Greenfield projects, as per our knowledge.

The Group's team pushes all project activities including by assisting the Government for those activities which are not its direct responsibility and by providing support to Government entities whenever possible.

Brazilian hydroelectric plant

At the end of 2018, the Group owns and operates the 15 MW Rodeio Bonito plant.

- Rodeio Bonito Plant (15 MW)

The production of 49,987MW during 2018 (against 41,321 MWh in 2017, +21%) was moderate due the rainfall in Rodeio Bonito catchment area being still well below the historical long term average. This reflects again low precipitation levels in Brazil in 2018.

This resulted in a negative impact amounting to BRL -1.5m in 2018 (compared to BRL - 4.6m for 2017 where the precipitation levels were exceptionally low) for Rodeio Bonito. Translated in Euros, the consumed purchases (Mainly MRE[4]) impacted the annual operational result by EUR 0.4 m in 2018 against EUR 1.3 m in 2017.

The operation and maintenance of Rodeio Bonito are satisfactory with a technical availability of 95% for 2018.

Due to these combined effects and the forex variation, the turnover has decreased by 17% when expressed in Euro and stable when expressed in BRL in 2018 (EUR 2.6m or BRL 11.1m) compared to 2017 (EUR 3.1m or BRL 11.2m).

The EBITDA (earnings before interests, taxes and amortization) of the plant amounted to BRL 7.3m against BRL 4.5m in 2017 and BRL 11.0m in 2016. When converted in EUR, the EBITDA was up to EUR 1.7m vs 1.2m in 2017, mostly due to the lower MRE payments (EUR -0.9 m).

Quebra Dedo (10 MW):

In January 2018, the Brazilian Regulatory Authority (Aneel) has cancelled the Quebra Dedo hydropower project (10 MW), which had been stalled for several years because of administrative and environmental issues. The project had less than 15 years of concession left and its development costs were entirely

[4] In Brazil, « guaranteed energy » or « ensured energy » means the annually marketable energy as approved by MME – Ministério de Minas e Energia (Department of Mines and Energy) and guaranteed through the Brazilian power system for power plants opting for the MRE (Energy reallocation Mechanism), mechanism functioning at national scale, even if the production is impacted by a bad hydrology some years. This mechanism covers the hydrological risk in case some Brazilian areas are experiencing drought, whereas other areas are experiencing heavy rains. The guaranteed energy is usually sold through mid-term fixed inflation-linked contracts. However this mechanism does not cover the risk of a national drought across Brazil which results in an overall MRE system in deficit. In this case, the Rodeio Bonito plant EBITDA could collapse drastically as all participants of the MRE system will have their guaranteed energy reduced proportionally to the overall deficit. In this case the plant has to purchase electricity in the spot market to compensate for its generation deficit, called MRE payments as consumed purchases.

provisioned in the Group's balance sheet since 2011. The Project will not be counted in the portfolio anymore in future reports and the costs has been written off (with no impact on the result) in 2018.

The Group is not developing any other project in Brazil as of 31st December 2018.

Indonesian hydroelectric projects

After the Meureubo 2 (59 MW) HEP and the Sukarame (7 MW) SHP were sold because of the administrative blockages encountered, including the unavailability of satisfactory PPAs, the Redelong HEP was the last project of the Group in Indonesia.

The Group has fully divested the project on 28th June 2018, sold to an Indonesian industrial group. The small size of the Redelong project (18 MW) did not economically justify having operations in the country.

Like other projects of the Group in Indonesia, the Redelong project costs were already fully impaired as of 31st December 2017. The sale price, which is to remain confidential, allowed only a partial recovery of such costs, given the uncertainties affecting the sector in Indonesia.

As of the date of this report, the Company has shut down its entire operations in Indonesia.

5. Report on share buybacks

Reasons of purchases effected during 2018	Capital reduction by cancellation of purchased shares
Total number of shares purchased in 2018	418,267 shares
Nominal value of shares purchased in 2018	Eur 418,267 – Eur 1 nominal value per share
Percentage of capital bought back	6.6% based on the share capital as of 31/12/2018
Shares cancelled during 2018	323,475 shares have already been cancelled in June 18
Shares sold	Nil
Total price paid towards share buybacks	Eur 3,716,700.00
Total own shares owned as of 31/12/2018	468,862 shares (including 374,069 shares previously held by the Group)
Percentage of capital held as of 31/12/2018	7.46%

In compliance with the resolutions of the General Meeting held on Friday the 28th of June 2017, the Board of Directors has decided to launch a first share buyback program on 14th February 2018. The Company has repurchased accordingly all the planned 323,475 shares, at an average price of EUR 9.38 and for a total amount of EUR 2,988,592 in accordance with the description of the share buyback program published on February 22, 2018 and within the limits of the resolutions of the General Meetings of Shareholders held on June 28th, 2017 and July 28th, 2017. The details of all share purchases are available on the Company's website (http://www.velcan.lu/investors/other-regulated-information/).

Following the announced objective of the share buybacks – being cancellation towards reduction of capital, the Board of Directors has decided on 27th June 2018 to cancel all of the 323,475 shares bought back, which resulted in a reduction of the Company's share capital to bring it from EUR 6,605,442.00 to EUR 6,281,967.00 divided into 6,281,967 shares with a nominal value of one euro (EUR 1) each.

The Board of Directors has initiated a second share buyback program on 13th September, which is still ongoing as of the date of the report. It entails purchase of a maximum number of 254,128 shares (representing 4.05% of the share capital), at a maximum purchase price per share of eight euros and ten cents (EUR 8.1), excluding acquisition costs. Under this program, the maximum total amount that the company may allocate to the buyback of its own shares shall not exceed Euros 2,058,434.00 excluding acquisition costs.

The purpose of the buyback programme is to buy back shares of the Company from minority shareholders wishing to sell them at current market conditions, but not finding sufficient liquidity, in view of their cancellation, towards active management of the shareholders' funds.
As of the date 31st December 2018, 94,793 shares have been bought back under this program at average price of EUR 7.68 per share, and a total repurchase price of EUR 728,108.00. The details of all share purchases are available on the Company's website (http://www.velcan.lu/investors/other-regulated-information/).

6. Events subsequent to 31st December 2018

- Extension of time for the land acquisition procedure of the Indian Hydropower Projects

Under the land acquisition regulations applicable to the Heo-Tato1 hydropower tandem project (426 MW) in India, the "Section 11 preliminary notification" was due by 27th March 2019. Such notification is the act by which the State Government decides it is appropriate to acquire the concerned land for public purpose, based on the completion of the first phase of the acquisition procedure.

The first phase of the procedure involved a social impact assessment, a social impact management plan, public hearings in all 9 concerned villages, the recommendation of an expert group, the establishment of a list of land owners, the obtaining of the consent of at least 80% of the individual land owners and the obtaining of the consent of all the concerned village councils.

The above activities and steps were successfully completed between June 2016 and March 2019. However due to the current preparation of the national and local elections, scheduled on 11th April 2019, the "code of conduct' has entered into force, hence preventing the State Government to take any decision outside the day to day current affairs.

Therefore, in compliance with the possibility offered by applicable regulations, the State Government has decided, on 28th March 2019, a time extension of 6 months, until 26th September 2019, to issue the Section 11 Notification.

7. Risk factors and uncertainties

Specific risks of hydroelectric plants and projects.

All risks from the Group's activities are described in the disclosure document available on the company's website since its transfer to NYSE - Alternext. Investors are invited to refer to this document for a complete discussion. As a reminder, the most characteristic risks of the Group are reviewed below.

Hydroelectric project development risks:

During the development phase, projects are exposed to a significant risk of delay or failure in obtaining environmental and administrative permits or in the progress or outcome of field investigations and studies. Obtaining administrative authorizations depends on many factors, among which changes in the authorities' requirements during the development phase, which is unpredictable and may require a modification of techno-economic characteristics of the project. Consequently, a change in the project may cause the invalidation other approvals previously obtained. In some countries, lack of coordination between different authorities, most of the times independent of each other and possibly the conflicting objectives that they pursue can make the administrative approval process difficult and unstable. With regard to investigations and studies, risks arise from consultants or suppliers directly in charge of studies or field investigation, who may face operational issues such as difficulties accessing sites or harsh conditions on sites. Generally, the complexity and the number of technical parameters linked to the field (such as topography, geology, hydrology, etc…) involve a significant risk of error in studies and require a substantial verification. In the same manner, land occupation factors (capacity to acquire the land impacted by the project), social and environmental factors (difficulties with population possibly impacted by these projects or idiosyncratic fauna and flora) can lead, during the development period, to the modification or the shelving of a project. Finally, the detailed studies and/or the administrative issues raised during the development phase may lead to the conclusion that a concession granted or in course of study is not viable. Political and legal risks mentioned under the risks associated to emerging countries often delays of hamper the projects during the development, sometimes to the extent a Project can practically become unfeasible. In some cases the delays suffered in the development phase can lead to the cancellation of the concession.

During the construction phase, technical factors such as an unanticipated composition of soil preventing digging the diversion canal as originally planned, especially with regards to geology can delay or impede the commissioning of a project. Furthermore, in some cases, such delays may entail financial penalties by the licensing authority to be borne by the developer, and, in extreme cases, in the cancellation of the concession.

During all these steps, the risk of slowing down or blocking of the project concerned still exists. Slowing or stopping a project generates additional costs which can be significant or lead to an outright impairment of investments.

In order to ensure the highest possible reliability of critical technical studies (hydrology, geology, topography, etc...) and to minimize the risk of errors, the Group internalizes core competencies from internationally- and nationally-renowned experts who control workings delivered by external service providers. It tries its best to employ the most qualified external service providers available. When market conditions make it possible, the group negotiates contractual clauses under which providers are financially penalized in case of delays to perform their services. The Group also seeks to maintain good relationships with the licensing authorities in order to resolve any difficulties that may occur.

During commissioning, the main risk lies in a real average flow of water being less important than anticipated, for example, because of erratic rainfall or rain forecasts are significantly different from hydrological studies conducted during development phase of the project, reducing the generation of electricity whereas the investment has already been made. Another important risk is the insolvency of the off-taker in emerging markets, where sometimes public utilities are in bad financial shape due notably to network losses, electricity theft or payment default of their own end customers.

Risks associated to emerging countries

The Group focuses on plant operation in Brazil and concession development projects in India. Therefore, it is exposed to social, economic and political problems linked to emerging markets.

Thus, the markets currently targeted by the Group or in which it could develop in the future may be characterized by the following risks:

- difficulties or delays in obtaining required permits and authorizations;
- faulty infrastructure that could affect the construction of the hydropower plant or the transmission and distribution of electricity;
- difficulties in recruitment and management of employees needed in these countries;
- difficulties in hiring consultants and suppliers required;
- political, social or economic instability, terrorism or war;
- difficulties in ensuring the respect of the Group rights;
- governmental interventions;
- cultural differences may restrict the Group's ability to face local competitors and international companies that are more experienced in emerging markets;
- risk of exchange rate due to the assets and liabilities booked in local currency;
- legal constraints and / or tax constraints for repatriating profits generated in other countries;
- delays in getting paid and difficulties to be paid back;
- risk that the accounting, audit and financial information standards do not always comply with IFRS norms and that they are not equivalent to those applicable in most developed markets;
- risk that the financial markets close to these countries. In which case financing our concessions would become very difficult until these markets reopen.
- risk of having difficulties in repatriating money from these markets. In case of financial turmoil, capital controls may be instated that would block or limit the repatriation of cash. It is to be noted that these constraints, which had not implemented for many years are now in place in several countries, both in developed and emerging markets (Iceland, Cyprus, Greece, Ukraine, Ghana, and Nigeria). The stigma associated with the imposition of such controls is hence now much lower.

Emerging markets are more fluid and generally subject to greater volatility than more developed markets. The growth of markets such as India and Brazil can slow down. Although India’s growth rate is currently one of the highest in the world, Brazil is in a deep protracted recession. The Group's success in these countries depends partly on its ability to adapt to their quick economic, cultural, social, legal and political changes. If the Group is unable to manage the risks associated with its expansion in emerging markets, its business, its financial health and its revenues could be significantly affected.

Environmental risks

Finally hydropower’s Environmental risk (e.g. flood caused by a dam breaking or the impact of the reservoir on the fauna and flora) is generally not covered by insurance companies, whether it is related to an engineering error, to a defect or to an operational error.

Country risks – currency conversion risk

The Group operates internationally and holds both monetary and non-monetary assets denominated in currencies other than EUR, the functional currency. Foreign currency risk arises as the value of future transactions, recognized monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates.

As of 31 December 2018, the Group's balance sheet net monetary exposure to currencies is as follows:

• Euros (EUR)	13%
• US Dollars (USD)	66%
• Brazilian Reals (BRL)	11%
• Indian Rupee (INR)	9%
• Other	2%

As of 31st December 2017, 81% of the cash and financial current assets are denominated in USD, whereas the Company accounts are in Euros, thereby exposing the Group to the risk of significant Forex losses in case of market movements on the Euro – USD exchanges rates.

The Group's balance sheet is also significantly exposed to Indian Rupee and Brazilian Real because of the significant investments made there for HEO, PAUK, TATO-1 and RODEIO BONITO concessions (Tangible and intangible assets) and because of the electricity sales in Brazilian Real of RODEIO BONITO (Yearly turnover).

The liquidity and trading value of foreign currencies could be affected by global economic factors, such as inflation, interest rate levels, and trade balances among countries, as well as the actions of sovereign governments and central banks. Adverse changes in currency exchange rates (relative to the U.S. dollar) may erode or reverse any potential gains from the Fund's investments in securities denominated in a foreign currency or may widen existing losses.

As of 31 December 2018 no hedging has been taken on the Property risk nor on risk of conversion of past or future income.

Interest rate risk

The Group's cash is mainly invested in money market funds, deposit certificates, private and sovereign bonds, listed bonds, collateralized loan obligations, listed equity funds and listed equities and forward forex in Dollar, Euro and in other currencies of emerging countries where the Group is present. The Group is thus exposed to an interest rate risk and the financial result is thus sensitive to interest rate variation. The Group may lose money if short-term or long-term interest rates rise significantly or otherwise change in a manner not anticipated by the Group.
The total fair value of these financial instruments as of 31 December 2018amounts to EUR 88.9 m.

Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, investment in bonds, direct lending as well as outstanding receivables and committed transactions. The group invests in an extremely diversified array of financial assets including mostly : corporate and government bonds in local and reserve currencies, equities, direct lending and private equity investments (please section 3.1, financial assets). The group is mainly exposed to issuers in the BBB (EUR 7.8m), BB (EUR 14.6m), B (EUR12.0m) and Non Rated (EUR 13.9m) categories (as defined by Standard's and Poor Global Ratings, "SP").

Credit risk refers to the possibility that the issuer of a security or the issuer of the reference asset of a derivative instrument will not be able to make principal and interest payments when due. Changes in an issuer's credit rating or the market's perception of an issuer's creditworthiness or market macro movements may also affect significantly the value of the Group's investment in that issuer. The degree of credit risk depends on both the financial condition of the issuer and the terms of the obligation. Securities rated in the four highest categories by the rating agencies (for S&P : AAA, AA, A and BBB), are considered investment grade but they may also have some speculative characteristics, meaning that they carry more risk than higher rated securities and may have problems making principal and interest payments in difficult economic climates. The BB and B categories corresponds non-investment grade considered speculative, entailing more default risks. The Non Rated category correspond to issuers who have decided not to be rated by Credit Agencies. Their size and characteristics vary a lot. But most of them should be considered Non-Investment grade bonds. Investment grade ratings do not guarantee that the issuer will not default on its payment obligations or that bonds will not otherwise lose value.

Price risk,

Given Group's array of investments, it is highly sensitive to the evolution of financial markets, especially the evolution of stock and bonds quotes and currency rates, which cannot be predicted.

Use of financial instruments for hedging

No particular financial instruments are used for price, credit or liquidity risk hedging.

8. Sustainable development and Corporate Social Responsibilities

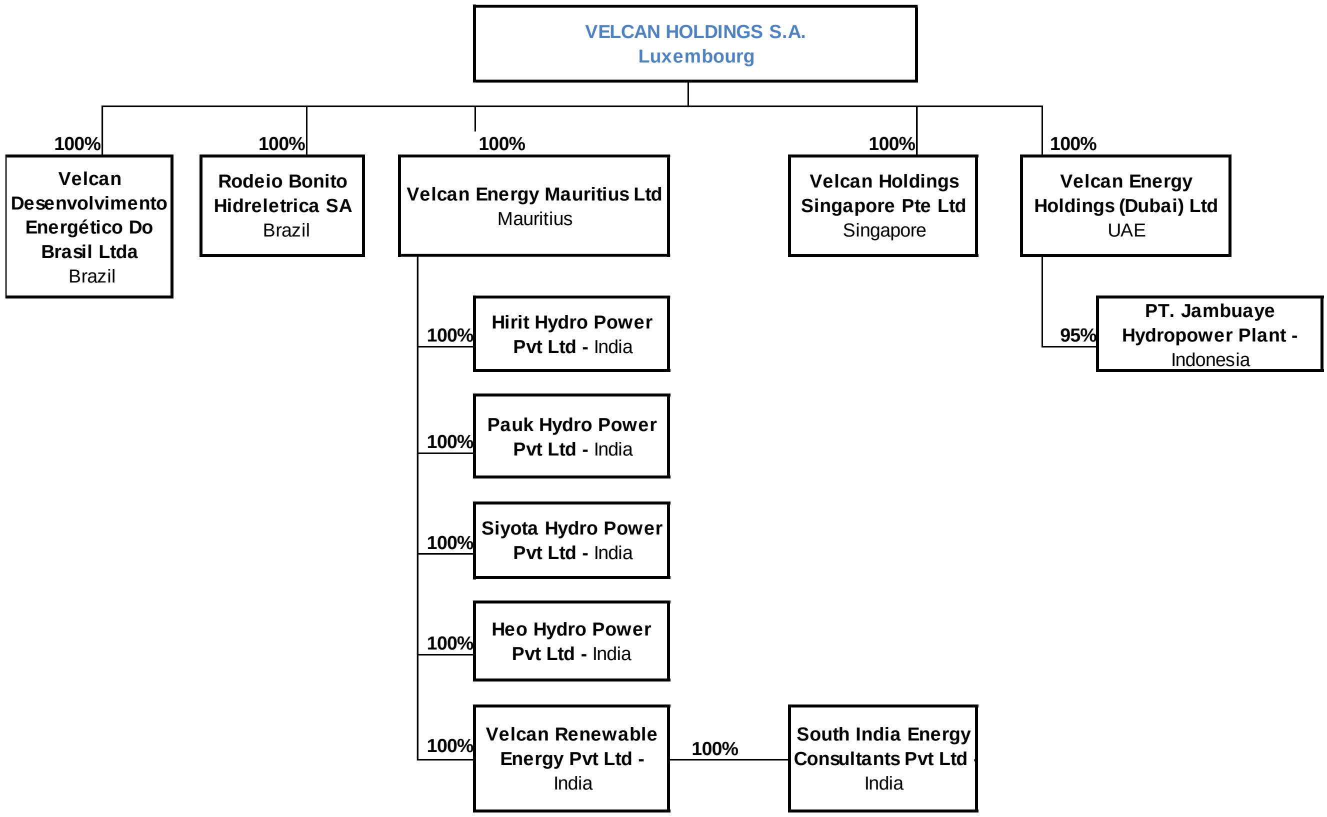
The Group focuses on generation of electricity from hydroelectricity, which is a **conventional** and **renewable** source of energy and which prevents the release of greenhouse gases into the atmosphere as opposed to electricity generation from fossil fuels. As a result of this "avoidance effect", the facilities developed by the Group are, or may be given, the approval for generation of carbon credits by the United Nations. As of today, the Group concentrates mainly on small and medium scale "run-of-river", hydroelectric plants of the same type as the Rodeio Bonito project or the Indian projects, thus aiming at the optimal amount of energy production with the smallest possible environmental footprint. So far Rodeio Bonito Power Plant has produced approximately 441 GW/h of clean and green energy.

The Group regularly undertakes actions in corporate social responsibility activities in India for the benefit of local populations in the area where its three hydroelectric projects of the Yarjep River are located. For instance, in 2018, the Group made various financial contributions to local people such as a local festival and a women's association. Donations with medical purpose have also been granted during the year.

9. Research and development

Apart from the technical studies and the development activities of the hydroelectric power projects, the Group has not undertaken significant research and development activity.

10. Organization Chart



As of 31st December 2018, Velcan SA, the parent company of the group, which is based in Luxembourg, controls 12 companies, direct or indirect subsidiaries, located in seven countries: India, Brazil, the United Arab Emirates, Luxembourg, Mauritius, Singapore and Indonesia.

Hirit Hydro Power Pvt Ltd and PT Jambuaye Hydropower Plant are both under voluntary liquidation as they do not carry any active or viable project anymore. South India Energy Consultants Pvt Ltd and Velcan Renewable Energy Pvt Ltd are under the merging procedure. Velcan Desenvolvimento Energetico Do Brasil Ltda is dormant.

II. NON-AUDITED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidated statement of financial position (assets) - Unaudited

(in thousands of Euros)

Assets	31.12.2018	31.12.2017
Non current assets		
Intangible assets	13,630	13,862
Tangible assets	8,674	10,315
Non current financial assets	3,567	5,236
Deferred tax assets	-	-
Total non-current assets	**25,872**	**29,413**
Current assets		
Current financial assets	63,839	57,869
Inventories	-	15
Trade and other receivables	244	285
Income tax receivables	10	46
Other current assets	299	532
Cash and cash equivalents	30,383	37,536
Total current assets	**94,776**	**96,282**
Total assets	**120,647**	**125,694**

2. Consolidated statement of financial position (Liabilities) - Unaudited

(in thousands of Euros)

Liabilities	31.12.2018	31.12.2017
Equity		
Issued capital	6,282	6,605
Additional paid in capital	125,357	128,020
Other reserves and conversion reserves	(13,978)	(2,235)
Net income for the year	552	(9,621)
Equity attributable to the equity holders of the parent	**118,213**	**122,770**
Non-controlling interests	8	21
Total Equity	**118,220**	**122,790**
Non current liabilities		
Non current provisions	801	835
Other non current liabilities	1,043	1,041
Total non-current liabilities	**1,844**	**1,876**
Current liabilities		
Current financial liabilities	-	-
Current provisions	-	6
Trade and other payables	515	684
Income tax payables	53	62
Other current liabilities	14	276
Total Current Liabilities	**583**	**1,028**
Total Liabilities	**120,647**	**125,694**

3. Consolidated statement of profit and loss and comprehensive income –unaudited

Statement of Profit & Loss	31.12.2018	31.12.2017
Operating revenues	2,580	3,111
Other operating revenues	-	1
Total operating revenues	**2,580**	**3,112**
Purchases	(355)	(1,273)
External expenses	(1,480)	(1,954)
Payroll expenses	(2,882)	(4,523)
Operating tax expenses	(10)	(18)
Depreciation, Amortization & Provisions	(696)	(3,135)
Current operating result	**(2,843)**	**(7,791)**
Other operating income	514	2,960
Operating result	**(2,329)**	**(4,831)**
Financial Income	8,003	7,902
Financial expenses	(4,931)	(12,061)
Financial Result	**3,071**	**(4,159)**
Income tax expense (-) / benefit (+)	(203)	(576)
Net result from continuing operations	**540**	**(9,566)**
Net result, group share	**552**	**(9,621)**
Net result, shares of non-controlling interests	**(12)**	**55**
Earnings per share (in Euros)	0.09	(1.59)
Diluted earnings per share (in Euros)	0.09	(1.59)

Statement of total comprehensive Income	31.12.2018	31.12.2017
Net income	540	(9,566)
Other comprehensive income, that will not be reclassified subsequently to profit or loss	(1,731)	(3,436)
Total Comprehensive Income	**(1,191)**	**(13,002)**
thereof attributable to non-controlling interests	12	(52)
Group Total Comprehensive income	**(1,179)**	**(13,054)**

4. Consolidated cash flow statements – unaudited *(in thousands of Euros)*

Cash Flows	31.12.2018	31.12.2017
Net consolidated profit	**540**	**(9,566)**
Adjustments for:		
Amortization and depreciation	696	3,135
Impairment, provision and write back	-	-
Income/loss from disposals of fixed assets	486	92
Expenses for share based payments	608	2,526
Interest and dividends Income	(4,300)	(3,493)
Change in deferred tax	-	339
Current Income tax expense (benefit)	203	237
Net change in fair value of financial instruments	4,716	4,684
Interests received	3,651	3,093
Dividends received	16	29
Current Income tax paid	(169)	(150)
Other non current operating income (expenses)	(514)	(2,960)
Other financial income and expense	(3,488)	2,968
Variation of operating working capital	56	1,106
Cash flows from operating activities	**2,501**	**2,039**
Purchase / sale of affiliates	491	2,144
Acquisition of tangible and intangible assets	(1,819)	(826)
Disposal of tangible and intangible assets	(636)	2
Acquisition/Disposal of financial instruments	(7,724)	(12,083)
Change in loans and advances granted	884	(5,072)
Other financial income and expense	3,488	(2,968)
Cash flows from investment operations	**(5,316)**	**(18,802)**
Capital decrease	(2,987)	(10,198)
Net sale / (purchase) of own shares	(1,000)	10,198
Cash flows from financing operations	**(3,987)**	**-**
Net foreign currency translation differences	**(351)**	**(151)**
Net cash flow variation	**(7,153)**	**(16,914)**
Net opening cash	37,536	54,449
Net closing cash	30,383	37,536

5. Statement of changes in equity - unaudited

In thousands of euros	Capital	Additional paid in capital	Own Shares	Foreign currency translation reserves	Reserves & consolid. net income	Total Group interest	Minority interests	Total Equity
Situation at 01.01.2017	**7,805**	**139,780**	**(15,221)**	**(4,341)**	**5,276**	**133,301**	**(35)**	**133,266**
Net income	-	-	-	-	(9,621)	**(9 621)**	55	(9,566)
Other comprehensive income	-	-	-	(3,433)	-	**(3 433)**	(3)	(3,436)
Total comprehensive income	-	-	-	(3,433)	(9,621)	**(13 054)**	52	(13,002)
Capital decrease	(1,200)	(8,998)	10,198	-	-	**-**	-	-
Own Shares acquisition	-	-	-	-	-	**-**	-	-
Share based payments	-	-	-	-	2,526	**2 526**	-	2,526
Settlement in own share of share based payments	-	-	1,799	-	(1,799)	**-**	-	-
Other	-	-	-	-	(3)	**(3)**	4	0
Situation at 31.12.2017	**6,605**	**130,783**	**(3,224)**	**(7,774)**	**(3,621)**	**122,770**	**21**	**122,790**
Situation at 01.01.2018	**6,605**	**130,783**	**(3,224)**	**(7,774)**	**(3,621)**	**122,770**	**21**	**122,790**
Net income	-	-	-	-	552	**552**	(12)	540
Other comprehensive income	-	-	-	(1,731)	-	**(1,731)**	(0)	(1,731)
Total comprehensive income	-	-	-	(1,731)	552	**(1,179)**	(12)	(1,191)
Capital decrease	(323)	(2,664)	2,987	-	-	**-**	-	-
Own Shares acquisition	-	-	(3,715)	-	-	**(3,715)**	-	(3,715)
Share based payments	-	-	-	-	336	**336**	-	336
Settlement in own share of share based payments	-	-	45	-	(45)	**-**	-	-
Other	-	-	-	-	-	**-**	(0)	(0)
Situation at 31.12.2018	**6,282**	**128,119**	**(3,907)**	**(9,504)**	**(2,777)**	**118,212**	**8**	**118,220**

6. Note to the unaudited and condensed consolidated financial statements

In compliance with applicable regulations, Velcan Holdings publishes non-audited and condensed consolidated accounts from the financial year 2018 included, instead of audited IFRS consolidated accounts, and continues to publish audited Lux GAAP statutory financial statements, as previously (Part III of this report).

The consolidated financial statements below, which will include the same statements as those published to date, being a balance sheet, an income statement, a cash flow statement and a statement of changes in equity, but unaudited and in a simplified and condensed form, excluding IFRS notes.

Such accounts have been established following the same methodology and presentation as those published during the previous years, which thus maintains the comparability of the information and provide full information on the Group's financial position.

The consolidation scope covers the 12 companies shown in the organization chart page 23.

III. AUDITED STATUTORY FINANCIAL STATEMENT

VELCAN Holdings

VELCAN HOLDINGS

(Formerly known as VELCAN)

Société Anonyme

RCS Luxembourg B145.006

REPORT OF THE REVISEUR D'ENTREPRISES AGREE
AND ANNUAL ACCOUNTS

2018 FINANCIAL YEAR

CONTENT

1. LEGAL INFORMATION

Name:	VELCAN HOLDINGS, the “Company”. (formerly known as VELCAN)
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 Growth 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 1 January to 31 December 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, 33 Tanglin Road, St. Regis Residences, Singapore 247913, Director Mr. Antoine DECITRE, 27, Bukit Tunggal Road, 309712 Singapore, Director Mrs. Véronique WAUTHIER, 15 rue de Saeul, L-8562 Schweich, Luxembourg, Director Mr. Didier SCHÖNBERGER, 47 rue du Château, F-57970, Inglange France, Director.

2. PROPOSITION OF ALLOCATION OF THE ANNUAL RESULT

Proposition of allocation of the result

The net loss of financial year 2018 is mostly generated by the portfolio of financial assets. It amounts to - EUR 771,729.31. The management is proposing following allocation:

	EUR
Profit or loss brought forward	(8,259,501.12)
Profit or loss for the financial year	(771,729.31)
Allocation to the legal reserve	-
Profit or loss carried forward	(9,031,230.43)

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

For the Board of Directors

BDO

Tel. +352 45 123-1
www.bdo.lu

1, rue Jean Piret
Boîte Postale 351
L-2013 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

To the Shareholders of
VELCAN HOLDINGS (formerly known as VELCAN)
11, avenue Guillaume
L-1651 Luxembourg

Opinion

We have audited the annual accounts of VELCAN HOLDINGS (the "Company"), which comprise the balance sheet as at 31 December 2018, and the profit and loss account for the year then ended, and notes to the annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of the Company as at 31 December 2018, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under those Law and standards are further described in the « Responsibilities of the "*Réviseur d'Entreprises Agréé*" for the Audit of the Annual Accounts » section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report but does not include the annual accounts and our report of the "*Réviseur d'Entreprises Agréé*" thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors

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 and presentation 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.

In preparing the annual accounts, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "*Réviseur d'Entreprises Agréé*" for the Audit of the Annual Accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "*Réviseur d'Entreprises Agréé*" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law dated 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with the Law dated 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "*Réviseur d'Entreprises Agréé*" to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "*Réviseur d'Entreprises Agréé*". However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Luxembourg, 25 April 2019

BDO Audit
Cabinet de révision agréé
represented by

Daniel Hilbert

RCSL Nr. : B145006 | Matricule : 2009.2202.802

ABRIDGED BALANCE SHEET

Financial year from 01 01/01/2018 **to** 02 31/12/2018 (in 03 EUR)

VELCAN HOLDINGS

11 Avenue Guillaume

L-1651 Luxembourg

ASSETS

		Reference(s)		Current year		Previous year
A. Subscribed capital unpaid	1101		101		102	
I. Subscribed capital not called	1103		103		104	
II. Subscribed capital called but unpaid	1105		105		106	
B. Formation expenses	1107		107		108	
C. Fixed assets	1109		109	150.733.826,04	110	151.945.251,98
I. Intangible assets	1111		111	603,04	112	603,04
II. Tangible assets	1125		125		126	
III. Financial assets	1135	3	135	150.733.223,00	136	151.944.648,94
D. Current assets	1151		151	3.254.526,05	152	1.769.573,83
I. Stocks	1153		153		154	
II. Debtors	1163		163	189.130,60	164	347.061,43
a) becoming due and payable within one year	1203		203	189.130,60	204	347.061,43
b) becoming due and payable after more than one year	1205		205		206	
III. Investments	1189	4	189	2.020.573,37	190	
IV. Cash at bank and in hand	1197		197	1.044.822,08	198	1.422.512,40
E. Prepayments	1199		199		200	12.298,32
TOTAL (ASSETS)			201	153.988.352,09	202	153.727.124,13

The notes in the annex form an integral part of the annual accounts

RCSL Nr. :	B145006	Matricule :	2009.2202.802

CAPITAL, RESERVES AND LIABILITIES

		Reference(s)		Current year		Previous year
A. Capital and reserves	1301		301	122.098.637,04	302	125.857.653,07
I. Subscribed capital	1303	5	303	6.281.967,00	304	6.605.442,00
II. Share premium account	1305	9	305	122.415.163,22	306	127.099.548,31
III. Revaluation reserve	1307		307		308	
IV. Reserves	1309	9	309	2.432.737,25	310	412.163,88
V. Profit or loss brought forward	1319		319	-8.259.501,12	320	-3.710.308,35
VI. Profit or loss for the financial year	1321		321	-771.729,31	322	-4.549.192,77
VII. Interim dividends	1323		323		324	
VIII. Capital investment subsidies	1325		325		326	
B. Provisions	1331		331	4.815,00	332	4.815,00
C. Creditors	1435		435	31.884.900,05	436	27.864.656,06
a) becoming due and payable within one year	1453		453	31.884.900,05	454	27.864.656,06
b) becoming due and payable after more than one year	1455		455		456	
D. Deferred income	1403		403		404	
TOTAL (CAPITAL, RESERVES AND LIABILITIES)			405	153.988.352,09	406	153.727.124,13

The notes in the annex form an integral part of the annual accounts

Annual Accounts Helpdesk :

Tel. : (+352) 247 88 494
Email : centralebilans@statec.etat.lu

RCSL Nr. :	B145006	Matricule :	2009.2202.802

ABRIDGED PROFIT AND LOSS ACCOUNT

Financial year from 01 01/01/2018 **to** 02 31/12/2018 *(in* 03 EUR *)*

VELCAN HOLDINGS

11 Avenue Guillaume

L-1651 Luxembourg

ABRIDGED PROFIT AND LOSS ACCOUNT

		Reference(s)		Current year		Previous year
1. to 5. Gross profit or loss	1651	13	651	544.581,40	652	-3.184.277,65
6. Staff costs	1605		605		606	
a) Wages and salaries	1607		607		608	
b) Social security costs	1609		609		610	
i) relating to pensions	1653		653		654	
ii) other social security costs	1655		655		656	
c) Other staff costs	1613		613		614	
7. Value adjustments	1657		657	-90.231,96	658	-2.520.054,74
a) in respect of formation expenses and of tangible and intangible fixed assets	1659		659		660	
b) in respect of current assets	1661		661	-90.231,96	662	-2.520.054,74
8. Other operating expenses	1621		621		622	

RCSL Nr. : **B145006** | Matricule : **2009.2202.802**

		Reference(s)		Current year		Previous year
9. Income from participating interests	1715		715		716	
a) derived from affiliated undertakings	1717		717		718	
b) other income from participating interests	1719		719		720	
10. Income from other investments and loans forming part of the fixed assets	1721		721	542.742,37	722	2.013.527,09
a) derived from affiliated undertakings	1723		723	542.742,37	724	624.659,10
b) other income not included under a)	1725		725		726	1.388.867,99
11. Other interest receivable and similar income	1727		727	1.468,44	728	91.026,88
a) derived from affiliated undertakings	1729		729	1.461,93	730	1.031,42
b) other interest and similar income	1731		731	6,51	732	89.995,46
12. Share of profit or loss of undertakings accounted for under the equity method	1663		663		664	
13. Value adjustments in respect of financial assets and of investments held as current assets	1665		665	-535.890,66	666	1.091.886,38
14. Interest payable and similar expenses	1627		627	-1.229.559,90	628	-2.038.695,73
a) concerning affiliated undertakings	1629		629	-1.229.082,31	630	-1.833.579,94
b) other interest and similar expenses	1631		631	-477,59	632	-205.115,79
15. Tax on profit or loss	1635		635		636	
16. Profit or loss after taxation	1667		667	-766.890,31	668	-4.546.587,77
17. Other taxes not shown under items 1 to 16	1637		637	-4.839,00	638	-2.605,00
18. Profit or loss for the financial year	1669		669	-771.729,31	670	-4.549.192,77

5. NOTES TO THE STATUTORY FINANCIAL STATEMENTS

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

VELCAN HOLDINGS is preparing statutory financial statements under the Luxembourg GAAP. In compliance with applicable regulations, VELCAN HOLDINGS is not required to publish IFRS audited consolidated accounts, but also voluntarily publishes non-audited and condensed consolidated accounts from the financial year 2018 included.

Both the audited statutory GAAP financial statements and the unaudited condensed and consolidated statements are available online at www.velcan.lu and at:

VELCAN HOLDINGS
11, Avenue Guillaume
L-1651 Luxembourg

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

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 comparative financial information as of 31 December 2017 for amount of EUR 2,520,054.00 previously presented as value adjustments in respect of financial assets and of investment held as current assets has been reclassified to value adjustments in respect of current assets.

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. Current assets

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.

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

2. ACCOUNTING PRINCIPLES (continued)

2.5. Cash

Cash comprise cash at bank and cash in hand are recorded at their nominal value.

2.6. Debts

Debts are recorded at their nominal value.

2.7. Own shares

Own shares are presented as ''Investments'' under current assets in the balance sheet.

Own shares are acquired for below purposes:

- Delivery of shares to employees, management or consultants of the company in future years
- Cancellation and capital reduction.

Own shares are initially recorded at acquisition cost and a non-distributable reserve of the same amount is created.

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 STATUTORY FINANCIAL STATEMENTS

3. FINANCIAL ASSETS

EUR	Shares in affiliated undertakings	Amounts owed by affiliated undertakings	Securities held as fixed assets	Total
Nominal value/Historical cost as at January 1, 2018	150,082,316.91	11,194,359.01	10,000.00	161,286,675.92
Current year additions	0.00	542,742.37	0.00	542,742.37
Current year disposals/reductions/Reimbursements	0.00	0.00	0.00	0.00
Foreign currency impacts	0.00	-1,218,277.65	0.00	-1,218,277.65
Nominal value/Historical cost as at December 31, 2018	150,082,316.91	10,518,823.73	10,000.00	160,611,140.64
Value adjustments				
Accumulated depreciation as at January 1, 2018	-5,960,282.17	-3,381,744.81	0.00	-9,342,026.98
Current year allowance	-436,301.00	-336,076.65	0.00	-772,377.65
Current year reversal	78,190.68	0.00	0.00	78,190.68
Foreign currency impacts	0.00	158,296.31	0.00	158,296.31
Accumulated depreciation as at December 31, 2018	-6,318,392.49	-3,559,525.15	0.00	-9,877,917.64
Net book value as of January 1, 2018	144,122,034.74	7,812,614.20	10,000.00	151,944,648.94
Net book value as of December 31, 2018	143,763,924.42	6,959,298.58	10,000.00	150,733,223.00

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

3. FINANCIAL ASSETS (continued)

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

Company Name	Country/ functionnal currency	Percentage of holding as of 31/12/18	Last financial year end	Statutory' s profit/loss in local currency	Statutory' s net shareholder's equity 31/12/18 in local currency (*)	Net book value in VELCAN books as at 31/12/18 (EUR)
Velcan Holdings Mauritius Ltd (formerly known as Velcan Energy Mauritius Ltd)	Mauritius/ EUR	100%	31/12/2018	(880,574.00)	133,064,590.00	133,064,589.80
Velcan Holdings Singapore Pte. Ltd (formerly known as Velcan Energy Singapore Pte. Ltd)	Singapore/ SGD	100%	31/12/2018	56,150.00 **	2,626,064.00 **	1,679,283.80
Rodeio Bonito Hidrelétrica LTDA.	Brazil/ BRL	99,99%	31/12/2018	1,928,655.93	30,198,569.04	9,020,050.00
Velcan Desenvolvimento Energetico Do Brasil Ldta	Brazil/ BRL	99,99%	31/12/2018	(329,851.37) **	(8,111,872.35) **	1.00
Velcan Energy Holdings (Dubai) Ltd	UAE/ AED	100%	31/12/2018 **	(2,338,794.00) **	(25,726,394.00) **	0.00

* The net income for the financial year 2018 is included in the net shareholder's equity
** Non audited

4. INVESTMENTS

As at 31 December 2018, the Company holds 271,843 own shares (2017: 0), which include the 94,793 shares purchased under the second buyback program (see note 5.2) and 177,050 shares previously held by a wholly owned subsidiary of the Company (see note 9.2) for a total amount of EUR 2,020,573.37.

5. SHARE CAPITAL

5.1. Subscribed share capital

Date	Description	Number of shares	Nominal value per share	Subscribed capital - EUR
1 January 2018	Opening subscribed capital	6,605,442	1.00 €	6,605,442.00
27 June 2018	Capital decrease	-323,475	1.00 €	-323,475.00
31 December 2018	Closing subscribed capital	6,281,967	1.00 €	6,281,967.00

As at 31 December 2018, the subscribed capital amounts to EUR 6,281,967.00 represented by 6,281,967 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 shares with a nominal value of EUR 1 each.

5.2. Share buyback programs

In compliance with the resolutions of the General Meeting held on Friday the 28 June 2017, the Board of Directors has decided to launch a first share buyback program on 14 February 2018. The Company has repurchased accordingly all the planned 323,475 shares, at an average price of EUR 9.38 and for a total amount of EUR 2,988,592.00 in accordance with the description of the share buyback program published on 22 February 2018 and within the limits of the resolutions of the General Meetings of Shareholders held on 28 June 2017 and 28 July 2017.

The details of all share purchases are available on the Company's website (http://www.velcan.lu/investors/other-regulated-information/).
Following the announced objective of the share buybacks – being cancellation towards reduction of capital, the Board of Directors has decided on 27 June 2018 to cancel all of the 323,475 shares bought back, which resulted in a reduction of the Company's share capital to bring it from EUR 6,605,442.00 to EUR 6,281,967.00 divided into 6,281,967 shares with a nominal value of one euro (EUR 1) each.

The Board of Directors has initiated a second share buyback program on 13 September 2018, which is still ongoing as of the date of the report. It entails purchase of a maximum number of 254,128 shares (representing 4.05% of the share capital), at a maximum purchase price per share of eight euros and ten cents (EUR 8.1), excluding acquisition costs. Under this program, the maximum total amount that the company may allocate to the buyback of its own shares shall not exceed Euros 2,058,434.00 excluding acquisition costs.

The purpose of the buyback program is to buy back shares of the Company from minority shareholders wishing to sell them at current market conditions, but not finding sufficient liquidity, in view of their cancellation, towards active management of the shareholders' funds.
As of the date 31 December 2018, 94,793 shares have been bought back under this program at average price of EUR 7.70 per share, and a total repurchase price of EUR 728,108.37. The details of all share purchases are available on the Company's website (http://www.velcan.lu/investors/other-regulated-information/).

5. SHARES CAPITAL (continued)

5.3. Equity warrants

The Company has issued equity warrants during previous financial years to consultants of the Company and its subsidiaries. One equity warrant gives the right to apply for one share.

As of the 31 December 2018, the following equity warrants are issued and still valid:

Warrant ref.	Issue date	Number of warrants existing	Number of warrants exercisable	Subscription price	Expiry date
BSA2013-1	23/04/2013	13,600	13,600	EUR 10	23/04/2023
BSA2013-2	23/04/2013	8,000	8,000	EUR 21.4	23/04/2023

As of the 31 December 2018 there are no other financial instruments convertible in shares or giving access to the share capital of the Company.

6. BENEFICIARY SHARES AND VOTING RIGHTS

Beneficiary Shares (also sometimes known as Founders' Shares) are issued by the Company, in accordance with Article 430-1 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 the Article of Association of the Company, one Beneficiary Share gives one voting right to its owner in the Company's General Meetings. One Beneficiary Share is allocated to a shareholder against each share continuously registered for a period of 4 years under such shareholder's name in the nominative register held directly by the custodian specially appointed by the Company for that purpose (BNP Paribas Securities Services as of 31 December 2018). A second Beneficiary share is allocated to the shareholder of each share continuously registered for a period of 6 years under the shareholder's name in the nominative register held directly by the custodian specially appointed by the Company for that purpose (BNP Paribas Securities Services as of 31 December 2018). As a result, the total number of voting rights in the Company, existing at 31 December, 2018, is as follows: 10,349,681 votes.

7. FREE SHARES AND SHARE BASED PAYMENTS

7.1 Free shares allocated over the year

In the previous financial years the Company had implemented stock-option plans and equity warrants, which do not exist anymore as of 31 December 2018 as they have either been replaced by free shares or have expired.

In September 2017 the Company has attributed free shares to some employees and management executives of the Group. As of 31 December 2018, the pending vesting of free shares under such plan is as follows:

	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL
Vesting of Free Shares (in shares)	**34,950****	**33,625**	**33,250**	**375**	**102,200**
Of which distributed	-	-	-	-	-
Of which undistributed	34,950*	33,625	33,250	375	102,200

* Distributed in February 2019

**Initially 35,137 reduced to 34,950 following staff departure

A total expense of EUR 325,515.15 (2017: EUR 2,415,249.50) has been recognized in the gross profit or loss in 2018 corresponding to:

- the delivery of 2,263 free shares vested in 2017 and delivered in 2018 (not accounted in 2017 annual accounts) for EUR 23,205.15;
- the delivery of 3,000 shares vested in 2017 as part of below transaction described in note 7.2 and delivered in 2018 (not accounted in 2017 annual accounts) for EUR 30,750;
- the provision for delivery of 34,950 shares vested in 2018 and delivered in February 2019, booked at a unit price of EUR 7.3 per share, at a total cost of EUR 255,135.
- the provision for delivery of 2250 shares as part of below transaction described in note 7.2 vested in 2018 and delivered in February 2019, booked at a unit price of EUR 7.3 per share, and at a cost of EUR 16,425.

7.2 Other share based payment transactions

In 2016, whereby three equity warrants plans granted to a director of subsidiaries of the Group were traded against existing shares held by the Group as treasury shares with a ratio of one existing share for two equity warrants. 29,750 shares were traded against 59,500 equity warrants already vested in 2016 at the date of the transaction. The non-vested equity warrants shall be traded against existing shares with the same two to one ratio and following the same vesting as the one of the equity warrants original agreements. In 2018, 2250 shares were vested and distributed in February 2019 as final execution of this transaction. (2017: 3,000 shares were vested and distributed in January 2018).

8. RELATED PARTIES TRANSACTIONS

During the financial year 2017, two members of the board of directors have concluded free share grant agreements for a total of 292,500 free shares, as part of the free shares Grant mentioned in note 7.1. These agreements provide for a vesting period of 4 years ending on 31 December 2020. These have remained in force and unchanged during 2018, with the vesting of 32,500 shares as on 31 December 2018, delivered to the concerned directors in February 2019. The related cost of EUR 237,250.00 (2017: EUR 2,201,550.00) for 2018 has been recognized in 2018 annual accounts as part of the amount of EUR 325,515.15 (2017: EUR 2,415,249.50) described above under note 7.1. A total of 65,000 shares remain to be vested in 2019 and 2020 towards the final execution of this transaction.

9. RESERVE

9.1 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.

9.2 Own shares reserve

As required by Luxembourg Law, when a company has acquired its own shares and if the said shares are included among the assets shown in the balance sheet, a non-distributable reserve (for dividend purpose) of the same amount shall be created among the liabilities.

This reserve has been booked against the share premium of the Company for an amount of EUR 2,020,573.37 corresponding to the amount booked as Own shares in ''investments'' under current assets and corresponds to the following acquisitions:

1) On 16 October 2018, the Company has acquired 177,050 own shares from its wholly owned subsidiary Velcan Holdings Mauritius Ltd (formerly known as Velcan Energy Mauritius Ltd) at the unit price of EUR 7.3, a cost of EUR 1,292,465.00. This reserve will be used to settle shares described in note 7 and future plans for employees.

2) During the year 2018, the Company has launched a second share buyback program as described under note 5.2 above. The Company's authorization to buy back its own shares was given by the Shareholders' General Meeting of 28 June 2017 (8^{th} resolution). The second buyback program has been decided by the Board of Directors dated 13 September 2018 for a maximum of 254,128 shares. At the closing date, the Company holds 94,793 shares acquired under this program on the stock exchange at an average unit price of EUR 7.70 (EUR 728,108.37 overall).

10. TAX RATE

The Company is fully taxable at a maximum rate of 26.01% (2017: 27.08%) 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.

11. OFF BALANCE SHEET COMMITMENTS

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.

A wholly owned subsidiary of the Company is the senior secured lender in a ship finance transaction which is now under multiple litigations. In this context the Company has undertaken to pay up to GBP 105,000.00 (EUR 116,466.00) towards legal expenses that may become payable by its borrower, as a result of on-going litigations led by such borrower against a former owner of the vessel, following the arrest of the vessel.

12. EMPLOYEES

The Company does not employ any employee as it does not have operational functions.

13. TURNOVER

The turnover for the year 2018 represents costs re-invoiced to subsidiaries. These costs relate to previous years and have been invoiced in arrears in 2018 based on mutual agreements between the Company and the subsidiaries.

14. SUBSEQUENT EVENTS

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

APPENDIX 2
Annual Report 2017

VELCAN

ANNUAL REPORT

MANAGEMENT REPORT
AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

VELCAN SA
Société Anonyme with a capital of € 6 605 442
RCS Luxembourg, B 145.006
11, avenue Guillaume
L-1651 Luxembourg

Table of Contents

I. MANAGEMENT REPORT

1. Key figures & Executive Summary

VELCAN Group ("The group") is an investment holding company owning mainly power assets and financial investments. Velcan started as an Independent hydro power producer in 2005. The Group develops finances and operates hydro power concessions currently located or planned in India, Brazil and Indonesia. These installations have an individual capacity between 15 MW and 240 MW.

The worldwide group's portfolio amounts to 657 MW of concessions and exclusive rights as of 31 December 2017 in the three aforementioned countries.

VELCAN shares are listed on Euronext Growth Paris.

Consolidated Financial Data in Million Euros

	2017	2016	Var %
§ Turnover	3.1	3.7	-15%
§ EBITDA	-1.7	-0.2	-638%
§ Net result	-9.6	-1.4	-604%
§ Cash & Financial assets	101	105	-4%
§ Market Capitalization	65	78	-17%
§ Cons. Equity	123	133	-8%
§ Net outstanding shares*	6,226	6,014	+4%
Book value per share (in Euros)	19.7	22.2	-11%

*Issued shares less Treasury shares (in Thousands)

		2017	2016
GLOBAL	**Portfolio of concessions and production facilities.** Does not include the various transactions or projects under assessment or technical studies neither post-closing changes.	657 MW	723 MW
BRAZIL	**Hydroelectric plant in operation**	15 MW	15 MW
BRAZIL	**Concessions and Exclusive rights. ***	53 MW	53 MW
INDIA	**Concessions under development.**	571 MW	571 MW
INDO	**Pre-concessions under development. ***	18 MW	84 MW

* The entire Brazilian and Indonesian portfolios under development were already fully impaired as of 31/12/2016. The decrease of the Indonesian portfolio in terms of MW comes from the sale of the Meureubo 2 HEP (59 MW) in August 2017 and the Sukarame HEP (7 MW) in December 2017.

2. About the Group

Velcan is a Luxemburg headquartered investment holding company founded in 2005, operating as an independent power producer in emerging countries and managing a global portfolio of financial assets.

The group owns and operates one 15MW hydro power plant in Brazil that it developed and built between 2006 and 2009. Its major power project under development is a cascade of hydropower concessions located in India and totalling 571 MW. The Group also has one smaller project of 18MW in Indonesia.

Hydropower concessions provide long periods of cash generation but their development outcome is uncertain and many years are needed to bring these projects to maturity in emerging countries: it involves field studies in remote places, obtaining the necessary authorizations and permits and land acquisition in political and regulatory environments that can be unstable or heavily hampering. Meanwhile Velcan actively manages its treasury, investing in listed and unlisted financial instruments. As of 31st December 2017, 21% of the assets of the group are deployed in power projects or plants, 78% in listed and unlisted financial investments, and cash and cash equivalents (bank current accounts and deposits).

Velcan's headquarters are in Luxemburg, with administrative and financial offices in Singapore, Dubai and Mauritius. The team dedicated to the development of the Indian hydropower cascade is based in New Delhi and at the project site (Arunachal Pradesh).

3. Activities, main events, financial position and foreseeable evolution

3.1. Activities and main Events

Comments by key date:

During Fiscal Year 2017, VELCAN continued developing and consolidating its existing hydropower concessions located in India (571 MW), and kept looking for solutions for its Indonesian portfolio which had faced significant regulatory and administrative impediments since FY 2016. The operation of the Rodeio Bonito plant faced one of the most severe drought in years which affected significantly net sales of electricity during FY2017. VELCAN also continued to manage actively its treasury by diversifying its financial investments portfolio during the year but was impacted by the important decrease of the USD against the EURO.

In July 2017, as per the resolutions of the Extraordinary General Meeting held on Friday the 28th of July 2017, the Company's share capital was reduced from EUR 7,805,442 to EUR 6,605,442 divided into 6,605,442 shares of one euro (EUR 1) nominal value each, by cancelation of 1,200,000 treasury shares.

In August 2017, VELCAN fully divested its Meureubo 2 Hydropower Project (59 MW located in the Aceh Province), sold to a Hong-Kong based investor. The transaction followed several months of administrative uncertainties which have stalled the Power Purchase Agreement process with PT.PLN, the national utility which is also a 25% consortium member in the Project through its subsidiary PT.PJB. The Meureubo 2 project development costs were already fully impaired as on 31st December 2016 and the sale had a positive impact on the 2017 financial year, although the sale allowed only a partial recovery of the development costs.

In December 2017 VELCAN fully divested its Sukarame Hydropower Project (7 MW), sold to an Indonesian Independent Power Producer. Since March 2016, the construction of the project was on hold due to acute tariff uncertainties and PPA unavailability. In August 2017, a new maximum tariff was finally promulgated. In the West Lampung Regency, where the Sukarame project is located, such ceiling was set to Rp 1034 per kWh (7.6 USD cts as current exchange rate). The maximum tariff for the Sukarame Project would have been USD 76 / per MWh, barely 60% of the tariff based on which the investment decision was initially taken. The Sukarame project costs were already fully impaired as on 31st December 2016. The sale price only allowed a partial recovery of such costs.

Following these two divestments, the Group's portfolio in Indonesia is now only made of the Redelong Hydropower project of 18 MW, which does not economically justify having full operations in the country, and the Group is having discussions with potential partners and investors for taking over the lead development in the Redelong project.

Comments by zone of activity:

In India, the Group continued to develop the hydroelectric concessions obtained in 2007 in the State of Arunachal Pradesh. After the completion of the technical studies and investigations which allowed the projects to obtain the main required authorizations (Technical Clearance or TEC, Environmental Clearance or EC and Forest clearance or FC) and to define the techno-economic features of both Heo (240 MW) and Tato-1 (186 MW) projects, VELCAN focused on the main other development requirements which are the post TEC site investigations and studies, the land acquisition, the transport infrastructure, the amendment of the concession agreements and the stage 2 Forest Clearance. Apart from the site investigations, these requirements are however mainly under the purview and responsibility of the State and Central Governments and VELCAN scope of work in this regard is to file applications, to attend request, to provide support to Government services and to follow-up and pursue the procedures. During FY2017 the site investigations and studies required by TEC were almost completed. As regards to the land acquisition procedure, the Social Impact Assessment studies were completed by the Government appointed entity.

Administrative issues related to Land status are currently still the most sensitive and significant issues, which slow down the development of the three projects. VELCAN considers that as per the current concession agreement 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 such an extension of the concession are still ongoing with the Government of Arunachal Pradesh.

The timely availability of appropriate road infrastructure is also an important issue that VELCAN has been attending throughout the year with the Central Government with some progress, although the scheduled dates of completion of the roads upgrade are still falling in 2022 and the budgets for speeding such date have not yet been sanctioned.

During FY 2017, the commercial and financial market conditions are still not fulfilled for the sale of hydropower, as the market remained constrained by both the bad financial health of electricity distribution companies (DISCOMS) and the absence of proper regulatory framework allowing the sale of power through long term bankable PPAs.

In view of the uncertainties of the Indian market and the delays encountered, the Company has decided to book a provision of EUR 2.2m (16%) on the intangible value of the Indian projects.

In Brazil, the Rodeio Bonito Hydropower plant (15 MW) recorded a production of 41,321 MWh in 2017, 24.6% below the 2016 generation (54,801 MWh) since a severe drought hit again Brazil in 2017. After several years of an extreme drought that had affected the country since 2012, precipitation levels had normalized from

June 2015 to October 2016, but they have fall down to very low levels again in 2017. As a consequence, payments by Velcan for the MRE (Energy Reallocation Mechanism) (definition and explanation page 14) were EUR 1.3m in 2017 vs only EUR 0.3m in 2016. The operating and financial performance of the plant in local currency was also impacted by lower sale prices when Power Purchase Agreements (PPAs) contracts were renewed in early 2017 with gross electricity sales reaching EUR 3.1m vs EUR 3.7m in 2016 (BRL 11.2m vs BRL 14.1m in 2016 in local currency).

In Indonesia, the Group has sold the Meureubo 2 HEP (59 MW) and the Sukarame SHP (7 MW) which were stalled by administrative issues, including the unavailability of satisfactory PPAs. These two projects were the most advanced of the Group in Indonesia but were impacted in 2016 by regulatory and administrative changes that made their chances of success and profitability lower.

The third Project of the Group in Indonesia is the Redelong HEP (18 MW).

Given the general context for hydropower projects in Indonesia and the administrative uncertainties regarding all VELCAN projects there, the project was fully impaired in 2016, and it remains the case as of 31/12/2017.

The size of the Redelong project (18 MW) may not economically justify having full operations in the country and the Group is looking the Group is looking for potential partners and investors for taking over the lead development in the Redelong projects.

At the end of the 2017 fiscal year, the Group owns a concession portfolio of 657 MW (vs 723 MW in 2016), out of which 15 MW are under operation.

Financial Assets, cash and cash equivalents

As it has done since 2005, and very actively since 2008, the group has kept managing its treasury to cover the operational costs and provide financial returns. The group has invested over the years in an extremely diversified array of financial assets including mostly : corporate and government bonds in local and reserve currencies, equities, derivatives, direct lending and private equity investments.

In 2017, the group main investments have been in corporate bonds again. The exposure has gradually increased from EUR 28.9 m at the beginning of the 2016 year to EUR 46.0 m at 2016 year end and 49.9 m at 2017 year end. The group is mainly exposed to issuers in the BBB and BB categories (as defined by Standard's and Poor). The maturities span a wide range. Although the majority is less than 6 years, some bonds have more than 30 year maturities. A few are of perpetual nature. In 2017 the group invested in majority in USD bonds, from issuers coming both from developed markets and emerging markets. At year end the biggest lines of the Group are with the following issuers : JBS (Brazil), CMA CGM (France), Comcel trust (Guatemala), Olam (Singapore), NORDDEUTSCHE LANDESBANK GIROZENTRALE (Germany), Zurich Insurance (Switzerland), Bluescope Steel (Australia), Israel Electric Corp (Israel), NIPPON LIFE INSURANCE CO (Japan) and the republic of Argentina. These bond investments have performed very well in 2017 at constant exchange rates but the Group has suffered from the US dollar weakening. The Group has invested in bonds since 2008 and has proved a good way to enhance the profits of the Group so far. The Group has only suffered one default (OI/Brazilian telco operators) in its history of bond investments. This default has costed the group EUR 0.3 m. This loss is materially less that the extra gain that the group has derived from investing in bonds compared to staying in cash. The fact that the Group has suffered little from defaults in the past is no predictor that it will not do so in the future. The level of spreads has decreased a lot recently and offers less downside protection than before.

As of December 2017, the Group also owns private investments worth EUR 6.8m including private equity (EUR 1.8m) and direct lending (EUR 5.0m). Almost half of Private equity and direct lending investment are in the shipping sector. Given the recent poor performance of this sector these investments have contributed negatively to the performance of the Group in 2016 and 2017. The Group is actively monitoring these investments to try to maximize their value.

As of December 2017, the Group had investments worth EUR 1.5 m in listed equities and EUR 4.8 m in equity funds and hedge funds. The Group believes the current equity markets provide no sufficient reward vs the risks entailed by their level. Were the situation to change, the Group may reinforce significantly its investments in listed equity.

As of December the Group financial assets were mostly exposed to the US Dollars.

Finally a significant part of the treasury of the Group was kept as of December 2017 in cash or cash equivalents (EUR 37.5m equivalent). Given the current level of interest rates these deposits provide little financial revenues despite a small increase in 2017.

3.2. Financial statements:

Income Statement:

Turnover amounted to EUR 3.1m (against EUR 3.7m in 2016, a 15% decrease), mainly from electricity sales. The turnover in local currency decreased by 20%. A slight reduction in Rodeio Bonito's ensured energy, lower sale price when the short term PPAs were renewed in 2017 and deflation in Brazil were responsible for such a decrease.

Net Financial Loss for the group amounted to EUR -4.2m in 2017 mostly because of the USD depreciation (-14% compared to end of 2016) and its impact on the Group's cash and financial assets position (see breakdown per currency note 24) despite good financial performance on VELCAN's investments excluding forex. This loss of -4.2m compares to EUR 5.9m in 2016.

Current operating results amounted to EUR -7.8m (against -6.7m 2016). Depreciation and amortization of tangible and intangible assets of Rodeio Bonito plant amounted to EUR 0.8m (EUR 0.8m in 2016), while depreciation on intangible projects under development amounted to EUR 2.3m, mainly on Indian projects (this compare to EUR 5.6m in 2016, mainly on Indonesian projects). Staff expenses increase was due to the grant of free shares (see note 8 – equity) despite it had no impact on cash and on equity (impact of EUR 2.5m on the net result).

In 2017, other operating income consisted mainly of divestment gains on Indonesian assets while the costs were fully impaired in 2016 (EUR 3.0m of gain).

Income tax expense amounted to EUR -0.6m, mostly because of the depreciation of deferred tax assets.

The net result was EUR -9.6m in 2017 FY compared to EUR -1.4m in 2016 FY.

The Group's EBITDA (earnings before interests, taxes, depreciation and amortization) reached EUR -1.7m compared to EUR -0.2m in 2016.

The depreciation of BRL and INR rates when compared to Euro, at 2017 closing date, has negatively impacted the other comprehensive income as the Group's main investments (tangible and intangible) have been done in local currency (EUR -3.4m in 2017 against EUR 3.8m in 2016). The total comprehensive income amounts to EUR -13.0m in 2017 against EUR 2.5m in 2016.

Balance sheet:

Net intangible assets are down by EUR 2.7m versus 2016, mainly because of depreciation on Indian assets due to uncertainties and repeated delays faced on those projects (see comments on Indian assets page 11). Tangible assets decreased by EUR 2.6m between 2016 and 2017 (see note 1 & 2 of the appendix on consolidated financial statements), mainly because the Rodeio Bonito Hydro power Plant being booked in BRL currency, foreign exchange impact on retranslation of the Rodeio Bonito power plant resulted in a EUR 1.7 loss (EUR 2.7 m gain for 2016 FY).

Cash, cash equivalent assets and financial assets have decreased from EUR 105m in 2016 to EUR 101m in 2017 (-4%) mainly because of the USD depreciation.

Finally total assets decreased by 8% during 2017 FY (down by EUR 10.4 m).

Own shares, booked directly against Equity of the Group at their historical cost, reduce the net shareholder's equity of the Group by EUR -3.2m versus EUR -15.2m at 31st December 2016 following the cancellation of 1.200.000 shares and the use of 212,050 shares for share based payments (note 8).

As at 31st December 2017, unrealized losses on conversion reserves, booked directly against Equity amounted to EUR -7.8m versus an unrealized loss of EUR -4.3m at 31st December 2016, mainly because of the BRL depreciation (see above comment on comprehensive income).

With a consolidated equity of EUR 122.8m (-EUR 10.5m compared to 2016), the Group still has no significant debt as of 31st December 2017. Various provisions, payables and financial instrument liabilities amount to EUR 2.9m (stable vs 2016).

3.3. Foreseeable evolution of the Group:

After the closing of this financial year, the Group is pursuing the following main objectives as a priority for FY 2018:

- Pursuing the development of the Indian projects and finding a lead investor for the Redelong Project in Indonesia;
- Continue the diversification of its investments;

4. Detailed evolution of the business

This year has been devoted to the continuation of the development of the Indian concessions, to finding a solution to the difficulties encountered in Indonesia, to the search for new investment opportunities that would grow the Group's cash position, and to the continuation of the rationalization of the cost structure.

Summary of concessions as of 31 December 2017

Project Name	Country	State	Size (MW)	Ownership (%)	Remaining years of concession
PCH Rodeio Bonito	Brazil	Santa Catarina	15	100%	17
PCH Quebra Dedo*	Brazil	Minas Gerais	10	100%	14
PCH Pirapetinga	Brazil	Minas Gerais	23	100%	14
PCH Ibituruna	Brazil	Minas Gerais	20	100%	14
Subtotal Brazil			***68***		
PLTA Redelong	Indonesia	Aceh	18	95%	30
Subtotal Indonesia			***18***		
Yarjep / Heo	India	Arunachal Pradesh	240	100%**	40
Yarjep / Pauk	India	Arunachal Pradesh	145	100%**	40
Yarjep / Tato I	India	Arunachal Pradesh	186	100%**	40
Subtotal India			***571***		
TOTAL			**657**		

This chart contains prospective data related to the potential of ongoing projects or projects of which the development is under progress. This information represents objectives related to projects and should not be interpreted as direct or indirect profit forecasts. The realization of these objectives depends on future circumstances and could be affected and/or delayed by known or unknown risks, uncertainty and various factors of all kind, especially linked to the economic, commercial or regulatory context, and that, in case of occurrence, could have a negative impact on the activity and the future performances of the Group.

* *Quebra Dedo: the project has been cancelled in January 2018 (see page 15)*

** *Indian Projects: the negotiations for the update and amendment of the concession agreements with latest installed capacities and project implementation timeframe are going on.*

Indian hydroelectric projects development

The Group pursued the development of the hydropower concessions obtained in 2007, a cascade of three projects, the capacity of which was increased to 571 MW in 2013 after approval by the central authorities.

Tato 1 HEP (186 MW) and Heo HEP (240 MW):

The feasibility studies have been completed and all the three major authorizations have been obtained in 2015: Techno-Economic Clearance (TEC), Environmental Clearance (EC) and Forest Clearance (FC). Very few privately held projects have reached such level of development in Arunachal Pradesh – and in the Indian Himalayas. Since late 2015 the Group is focusing on the project main next steps as described below.

- Post TEC technical investigations and studies

The team has continued field studies and investigations at site, some of which are required by Central Electricity Authority and some of which are required to prepare for tender level design. The detailed tender design level topographical surveys of project components (power houses and intake areas) and internal project roads has been completed for Heo HEP and Tato-1 HEP intake site and roads as of May 2017. The Tato-1 HEP power house and adit sites detailed survey was scheduled for completion by year end but could not be completed due to the destruction of the suspension bridge allowing the access to the left bank. The 40 m depth drilling required by CEA at Tato-1 trench weir has been completed in April 2017. The additional sedimentation studies initiated in April 2016 are still going on. As for the past 8 years hydrological measurements have been continued.

- Amendment of the Concession Agreement

Following the TEC, which has frozen the installed capacity of the tandem of projects to 426 MW, the Group has engaged the process for amending the concession agreement in order to amend such installed capacity. The negotiations have now extended to the quantum of free power that will be due to the State Government once the project will be commissioned and other conditions such as the administrative fees payable to the government and the project implementation timeframe. Regarding the latter the concession agreement signed in 2013 initially provided for a construction starting in 2013, which now needs to be revised. Negotiations have been progressing over the past 24 months but as of date, the Company cannot say how and when such negotiations will be concluded.

- Land acquisition

Under the concession agreement and applicable regulations, the land is to be acquired by the State government and then leased to the project developer. Due to the absence of land registry in tribal areas and to the complexity of the applicable regulations, this remains one of the major challenges. The procedure involves notably a social impact assessment, public hearings and consultations, public consents for acquisition of the land, field surveys, administrative ownership surveys and rehabilitation and resettlement plans.

In June 2016, the Group has submitted applications to Deputy Commissioner of the West Siang District, Arunachal Pradesh in order to initiate the acquisition of the land required for Tato 1 and Heo HEPs. A Notification has been issued by Commissioner, Land Management, GoAP in February 2017 appointing the Rajiv Gandhi University, Itanagar, Arunachal Pradesh as Social Impact Assessment unit. The Notification of the start of the SIA has been issued by the Government on 3rd August 2017, and first onsite site surveys and interviews of the local public by the SIA Team surveys have been conducted in September 2017. The SIA and Social Impact Management Plan (SIMP) draft reports have been completed and submitted to the district administration on 26th December 2017. The public hearings required by the regulations in order to discuss the SIA and the SIMP with the local public have been held in all the 8 concerned villages on 23rd and 24th of January 2018. During the hearings, the local people have expressed their support in favor of the projects, and expressed their concerns notably about the delays in project implementation and the future influx of a migrant population of workers during construction. The SIA unit has concluded the projects entail more benefits than costs and has submitted the final SIA and SIMP reports to the State Government on 2nd February.

Such SIA & SIMP reports will be reviewed by the Expert Group (an independent body appointed by the Government), which assess the costs and benefits of the project and its public purpose. The Expert Group will thereafter issue a recommendation to the State Government, whether or not the land required for the project shall be acquired. Meanwhile, the District Administration will initiate the procedure to establish the land revenue registry and to collect the consent of at least 80% of the land owners. This implies a negotiation between the Government and the affected populations for the establishment of a list of owners and the determination of the quantum of land which belongs to each owner (land revenue registry), so that the financial compensations can be distributed amongst the owners. Considering most of the land is disputed between clans or within the same clans, the Group expects this procedure to be complicated.

As per our knowledge it is the first time the State Government acquires land under this new Land Acquisition Act (2013) and the procedure is complex. The management cannot predict either the outcome or a date of completion, although it can be foreseen the entire process may not take less than 2 years.

- Road infrastructure timely availability

The public roads leading to the project sites are undergoing an upgrade and widening program, that will, once complete allow the transportation of construction and electrical & mechanical equipment. The last stretches totaling 87 Km are currently scheduled or expected to be ready between 2020 on 2022. A joint survey has been conducted in November 2016 between Velcan's Team and the Border Roads Organization (BRO/Ministry Of Defense) in order to assess what stretches are critical in view of making sure the BRO would have them ready earlier. Following several joint meetings under the umbrella of the Ministry of Power (MoP, Govt. of India), MoP has submitted a request to the Ministry of Defense for that purpose. Tentative budgets have been prepared by the Ministry of Defense in November 2017 and February 2018. Further tripartite discussions are expected to continue in the coming months. Being related to the Central Government budgetary allocations, the Company cannot, as of date, precisely plan the outcome and the timeframe of these discussions.

- Forest Clearance stage 2

The issuance of the Forest Clearance stage 2, which allows to physically take over the forest land (subject to land acquisition by the Sate Govt. being complete), is subject to the fulfilment of some conditions (in addition to the land acquisition). The Forest Clearance stage 1 issued by the Ministry of Environment and Forests (MOEF, Govt. of India) requires the State Government to identify additional compensatory afforestation land of 7 Ha for Heo HEP and 12 Ha for Tato-1 HEP. The State Government has proposed a piece of land in late 2016, which has been rejected in January 2017 as inappropriate for afforestation purpose by the MOEF. Another proposal by State Government is currently under preparation at district level.

In view of some technical layout adjustments required for one access road and several quarry sites, the Group submitted in June 2017 an application for the approval of such changes.

- Availability of bankable Power Purchase Agreement(s)

The sale of hydroelectricity will require the establishment of a regulatory framework facilitating the signing by distributors of long-term (for a period greater than or equal to the duration of the project debt) PPAs with a firm offtake. Similarly, the current bad financial health or insolvency of potential electricity buyers makes the signing of a bankable PPA uncertain, since most distribution companies (which are state-owned) are over-indebted and require recapitalization. The Central Government has taken steps to improve the financial health of distribution companies (UDAY refinancing Scheme), although the effects on hydropower PPAs market is yet to be seen. The Government is also discussing a possible new hydropower policy, which as per our knowledge will entail financial incentives applicable to a restricted list of 35 designated hydropower projects to be commissioned within 5 years of the policy (meaning projects already under construction or ready to start immediately construction). VELCAN is following up closely the evolution of these frameworks.

Pauk HEP (145MW):

The project progress continues at a slower pace, commensurate with the Project's specific technical and administrative characteristics. After several months of technical discussions, the Company obtained from the Central Water Commission (Govt. of India) the approval of the project basic design in April 2017, and the approval of the geological investigation plan from the Geological Survey of India in August 2017. Based on such approvals the next step is mainly to conduct the approved investigation plan. However the performance of site investigations remains subject to the clearance of landownership disputes. Such disputes have often slowed down or prevented activities at the site in the past years, but the Group hopes to restart reinvestigation by the end of the 2018 monsoon.

Overall perspectives in India:

VELCAN keeps making progress in areas that depend on the developer and continues to see promising prospects in the Indian electricity market.

Activities that are under the purview of local and national Government entities, which include instrumental land acquisition and road infrastructures, are progressing at variable paces but generally slowly and they regularly encounter impediments and delays. These activities are always subject to political and legal risks such as changes in legislation and / or government.

VELCAN follows closely such activities which are not its responsibility and provides support to Government entities whenever possible. But like all infrastructure markets in emerging countries, it is not possible to predict if all the conditions necessary to project implantation will align or when. The concessions will continue to depend on the political willingness of the Central Government to revive the hydropower sector.

In view of the context detailed above, the Company has decided to book a provision of EUR 2.2m (16%) on the intangible value of the Indian projects.

Brazilian hydroelectric plant and projects

At the end of 2017, the Group owns projects totalling 68 MW in Brazil, like in 2016. It is composed of 15 MW under operation (Rodeio Bonito) and 53 MW of exclusive concessions. At the date of this report, after the cancellation of the Quebra Dedo project (10 MW), the Group owns 43 MW of exclusive concessions.

- Rodeio Bonito Plant (15 MW):

The operating performance of the plant in local currency was satisfactory given the draught situation in Brazil. The production (41,321MW) was much lower than in 2016 (54,801 MWh, -24.6%) and far from its best year (75,655 MWh, i.e a plant load factor or PLF of 57%, the plant's record high), due to very low precipitation levels in Brazil in 2017. This follows a national trend, as in 2017 all Brazilian hydropower generators together produced only 79% of the energy they had the right to commercialize.

The MRE, or Ensured Energy mechanism[1], which reallocates energy from those overproducing to those under producing, does not cover for such a deficit in the whole system. In this case, in order to equalize total production with total insured energy, a generation scaling factor, GSF, is applied to the insured energy of each participant, reducing it for the affected month. This exposed Rodeio Bonito to the high prices of the spot market, as it had to buy energy to meet its contract duties not covered by the temporarily reduced insured energy. In 2017, payments by Velcan for the MRE were significantly higher than in 2016. However, Rodeio Bonito is still protected by the interim judgement of early 2017 that caps the MRE extra charges to 5% of its insured energy, which has limited the MRE payments to BRL 4.6 m (compared to BRL 1.0 m in 2016 BRL and BRL 4.1 m in 2015), in spite of the climatic hardship of this year. Overall, total consumed purchases, which include MRE payments, impacted the annual operational result by EUR 1.3 m against EUR 0.3 m in 2016 (EUR 1.1 m in 2015). Following the enactment of law 13.360 of 17 November 2016, which in its article 24 effectively states participants cannot be removed from the MRE (and thus eliminated the risk of Rodeio Bonito being excluded from the mechanism due to insufficient historical production), the national regulator proposed much discussed alterations on the law to create new means of removing participants, as this is broadly understood to be necessary to guarantee the health of the mechanism. To date, it remains unclear how this could affect the Rodeio Bonito plant, as any outcome would depend on the exact provisions.

The EBITDA (earnings before interests, taxes and amortization) of the plant amounted to BRL 4.5m against BRL 11.0m in 2016 and BRL 6.8m in 2015. When converted in EUR, the EBITDA was down to EUR 1.3m vs

[1] In Brazil, « guaranteed energy » or « ensured energy » means the annually marketable energy as approved by MME – Ministério de Minas e Energia (Department of Mines and Energy) and guaranteed through the Brazilian power system for power plants opting for the MRE (Energy reallocation Mechanism), mechanism functioning at national scale, even if the production is impacted by a bad hydrology some years. This is the case of Rodeio Bonito. This mechanism covers the hydrological risk in case some Brazilian areas are experiencing drought, whereas other areas are experiencing heavy rains. However this mechanism does not cover the risk of a lasting national drought across Brazil. In that case, the Rodeio Bonito plant revenues could collapse drastically. The turnover corresponding to this part of guaranteed energy is ensured through mid-term fixed inflation-linked contracts, even in case of low actual production below that level for hydrological reasons. However, in the case of extremely low historical production, it could lead to a downward revision of the ensured energy or it could even lead to a temporary exclusion of the system.

2.9m in 2016, mostly due to the higher MRE payments (BRL +3.6m) and the lower turnover (BRL -2.9m, -20%).

➢ Pirapetinga (23 MW), Ibituruna (20 MW), and Quebra Dedo (10 MW):

During the year, the Group has not noted so far any significant progress on the administrative procedures required to achieve the development of the 3 on-going Brazilian projects of its portfolio. Each of them is facing different administrative and social barriers and/or fierce competition. Thus, the development of these uneconomical projects has been adjourned. Development costs on those projects had already been impaired in previous years in the Group's balance sheet.

In January 2018, the Brazilian Regulatory Authority (Aneel) has cancelled the Quebra Dedo hydropower project (10 MW), which has been stalled for several years because of administrative and environmental issues. The project had less than 15 years of concession left and its development costs were entirely provisioned in the Group's balance sheet since 2011. The Project will not be counted in the portfolio anymore in future reports and the costs will be write off (with no impact on the result) in 2018.

The Group is not developing any other project in Brazil as of 31st December 2017.

Indonesian hydroelectric projects

➢ Sale of the Meureubo 2 HEP (59 MW)

In August 2017, the Group has fully divested its most important Indonesian project, the Meureubo 2 HEP. The Project has been sold to a Hong-Kong based investor. The transaction follows several months of administrative uncertainties which have stalled the Power Purchase Agreement process with PT.PLN, the national utility which is also a 25% consortium member in the Project through its subsidiary PT.PJB. The Meureubo 2 project development costs were already fully impaired as on 31st December 2016 and the sale had a positive impact on the 2017 financial year, although the sale allowed only a partial recovery of the development costs.

➢ Sale of the Sukarame SHP (7 MW)

In December 2017, the Group sold the Sukarame project. Since March 2016, the construction of the project was on hold due to acute tariff uncertainties and PPA unavailability. The Group had started in late 2015 the pre-construction activities, after an increase of the feed-in-tariff (USD 132 /MWh for the first 12 years, and USD 82.5 for the remaining 8 years), decided by the Ministry of Energy and Mineral Resources.

However, PLN (the state owned electricity company and sole authorized buyer in Indonesia) has refused to comply with this regulation and to buy the power, claiming that such new Feed-In-Tariff (FIT) was too high. Policy discussions have been going on and have resulted in August 2017 in a new tariff, which is now to be negotiated with PLN, and subject to a ceiling of 100% of the provincial BPP, which is PLN's local procurement cost. In the West Lampung Regency, where the project is located, such BPP ceiling is of Rp 1034 per kWh (7.6 USD cts as current exchange rate). That means the maximum tariff for the Sukarame Project that can be negotiated with PLN is USD 76 / per MWh, barely 60% of the tariff based on which the investment decision was initially taken.

The Sukarame project costs were already fully impaired as on 31st December 2016. The sale price allowed only a partial recovery of such costs.

- Redelong HEP (18 MW)

It is an advanced project for which the geological investigations have been carried out and finalized in 2015 and the feasibility studies have been finalized in 2016 showing the techno-economic viability of the project. In March 2017 the Group has obtained the PSDA permit, which is the permit for exploitation of water resources for the purpose of hydropower generation, delivered by the Ministry of Public Works. It notably freezes the environmental flow and approves the project structures' design.

Negotiations for the participation of the regional BUMD (regional enterprise owned by the local government) into the Project have been initiated and are still going on as of date. It has already been agreed the BUMD would have a 7.5% participation in this project.

However, given the general context for hydropower projects in Indonesia and the administrative uncertainties regarding all VELCAN projects there, the project has been fully impaired in 2016.

- Overall perspectives in Indonesia

Following the full divestments of the Meureubo 2 and Sukarame Projects, the Group's portfolio in Indonesia is now reduced to the Redelong Hydropower project of 18 MW, which does not economically justify having full operations in the country, and the Group is having discussions with potential partners and investors for taking over the lead development in the Redelong project.

The Group is not developing any other project in Indonesia as of 31st December 2017.

5. Risk factors and uncertainties

Specific risks of hydroelectric plants and projects.

All risks from the Group's activities are described in the disclosure document available on the company's website since its transfer to NYSE - Alternext. Investors are invited to refer to this document for a complete discussion. As a reminder, the most characteristic risks of the Group are reviewed below.

Hydroelectric project development risks:

During the development phase, projects are exposed to a significant risk of delay or failure in obtaining environmental and administrative permits or in the progress or outcome of field investigations and studies. Obtaining administrative authorizations depends on many factors, among which changes in the authorities' requirements during the development phase, which is unpredictable and may require a modification of techno-economic characteristics of the project. Consequently, a change in the project may cause the invalidation other approvals previously obtained. In some countries, lack of coordination between different authorities, most of the times independent of each other and possibly the conflicting objectives that they pursue can make the administrative approval process difficult and unstable. With regard to investigations and studies, risks arise from consultants or suppliers directly in charge of studies or field investigation, who may face operational issues such as difficulties accessing sites or harsh conditions on sites. Generally, the complexity and the number of technical parameters linked to the field (such as topography, geology, hydrology, etc…) involve a significant risk of error in studies and require a substantial verification. In the same manner, land occupation factors (capacity to acquire the land impacted by the project), social and environmental factors (difficulties with population possibly impacted by these projects or idiosyncratic fauna and flora) can lead, during the development period, to the modification or the shelving of a project. Finally, the detailed studies and/or the administrative issues raised during the development phase may lead to the conclusion that a concession granted or in course of study is not viable. Political and legal risks mentioned under the risks associated to emerging countries often delays of hamper the projects during the development, sometimes to the extent a Project can practically become unfeasible. In some cases the delays suffered in the development phase can lead to the cancellation of the concession.

During the construction phase, technical factors such as an unanticipated composition of soil preventing digging the diversion canal as originally planned, especially with regards to geology can delay or impede the commissioning of a project. Furthermore, in some cases, such delays may entail financial penalties by the licensing authority to be borne by the developer, and, in extreme cases, in the cancellation of the concession.

During all these steps, the risk of slowing down or blocking of the project concerned still exists. Slowing or stopping a project generates additional costs which can be significant or lead to an outright impairment of investments.

In order to ensure the highest possible reliability of critical technical studies (hydrology, geology, topography, etc...) and to minimize the risk of errors, the Group internalizes core competencies from internationally- and nationally-renowned experts who control workings delivered by external service providers. It tries its best to employ the most qualified external service providers available. When market conditions make it possible, the group negotiates contractual clauses under which providers are financially penalized in case of delays to perform their services. The Group also seeks to maintain good relationships with the licensing authorities in order to resolve any difficulties that may occur.

During commissioning, the main risk lies in a real average flow of water being less important than anticipated, for example, because of erratic rainfall or rain forecasts are significantly different from hydrological studies conducted during development phase of the project, reducing the generation of electricity whereas the investment has already been made. Another important risk is the insolvency of the off-taker in emerging markets, where sometimes public utilities are in bad financial shape due notably to network losses, electricity theft or payment default of their own end customers.

Risks associated to emerging countries

The international expansion strategy of the Group focuses on plant operation in Brazil and concession development projects in India. As explained above the Group is still exposed to Indonesia, though to a lower extent because the only asset held there is the Redelong Hydropower project, as of this report issue date. Therefore, it is exposed to social, economic and political problems linked to emerging markets.

Thus, the markets currently targeted by the Group or in which it could develop in the future may be characterized by the following risks:

- difficulties or delays in obtaining required permits and authorizations;
- faulty infrastructure that could affect the construction of the hydropower plant or the transmission and distribution of electricity;
- difficulties in recruitment and management of employees needed in these countries;
- difficulties in hiring consultants and suppliers required;
- political, social or economic instability, terrorism or war;
- difficulties in ensuring the respect of the Group rights;
- governmental interventions;
- cultural differences may restrict the Group's ability to face local competitors and international companies that are more experienced in emerging markets;
- risk of exchange rate due to the assets and liabilities booked in local currency;
- legal constraints and / or tax constraints for repatriating profits generated in other countries;
- delays in getting paid and difficulties to be paid back;
- risk that the accounting, audit and financial information standards do not always comply with IFRS norms and that they are not equivalent to those applicable in most developed markets;
- risk that the financial markets close to these countries. In which case financing our concessions would become very difficult until these markets reopen.
- risk of having difficulties in repatriating money from these markets. In case of financial turmoil, capital controls may be instated that would block or limit the repatriation of cash. It is to be noted that these constraints, which had not implemented for many years are now in place in several countries, both in developed and emerging markets (Iceland, Cyprus, Greece, Ukraine, Ghana, and Nigeria). The stigma associated with the imposition of such controls is hence now much lower.

Emerging markets are more fluid and generally subject to greater volatility than more developed markets. The growth of markets such as India, Brazil, and Indonesia can slow down. Although India’s growth rate is currently one of the highest in the world, Brazil is in a deep protracted recession and Indonesia is growing slower than before. The Group's success in these countries depends partly on its ability to adapt to their quick economic, cultural, social, legal and political changes. If the Group is unable to manage the risks associated with its expansion in emerging markets, its business, its financial health and its revenues could be significantly affected.

Environmental risks

Finally hydropower's Environmental risk (e.g. flood caused by a dam breaking or the impact of the reservoir on the fauna and flora) is generally not covered by insurance companies, whether it is related to an engineering error, to a defect or to an operational error.

Country risks – currency conversion risk

As of 31 December 2017, the Group's balance sheet is mainly exposed to the following currency (please refer to note 24 of the appendix on consolidated financial statements for more details):

- Euros (EUR)
- US Dollars (USD)
- Brazilian Reals (BRL)
- Indian Rupee (INR)

The Group's balance sheet is also significantly exposed to Indian Rupee and Brazilian Real because of the significant investments made there for HEO, PAUK, TATO-1 and RODEIO BONITO concessions (Tangible and intangible assets) and because of the electricity sales in Brazilian Real of RODEIO BONITO (Yearly turnover).

As of 31 December 2017 no hedging has been taken on the Property risk nor on risk of conversion of past or future income.

Interest Rate Risk

VELCAN's available cash is mainly invested in money market funds, deposit certificates, private and sovereign bonds and forward forex in Euro, Dollar and in other currencies of emerging countries where the group is present. The financial result is thus sensitive to interest rate variation.

Use of financial instruments for hedging

No particular financial instruments are used for price, credit or liquidity risk hedging.

6. Sustainable development and Corporate Social Responsibilities

The Group focuses on generation of electricity from hydroelectricity, which is a **conventional** and **renewable** source of energy and which prevents the release of greenhouse gases into the atmosphere as opposed to electricity generation from fossil fuels. As a result of this "avoidance effect", the facilities developed by the Group are, or may be given, the approval for generation of carbon credits by the United Nations. As of today, the Group concentrates mainly on small and medium scale "run-of-river", hydroelectric plants of the same type as the Rodeio Bonito project, thus aiming at the optimal amount of energy production with the smallest possible environmental footprint. So far Rodeio Bonito Power Plant has produced approximately 391 GW/h of clean and green energy.

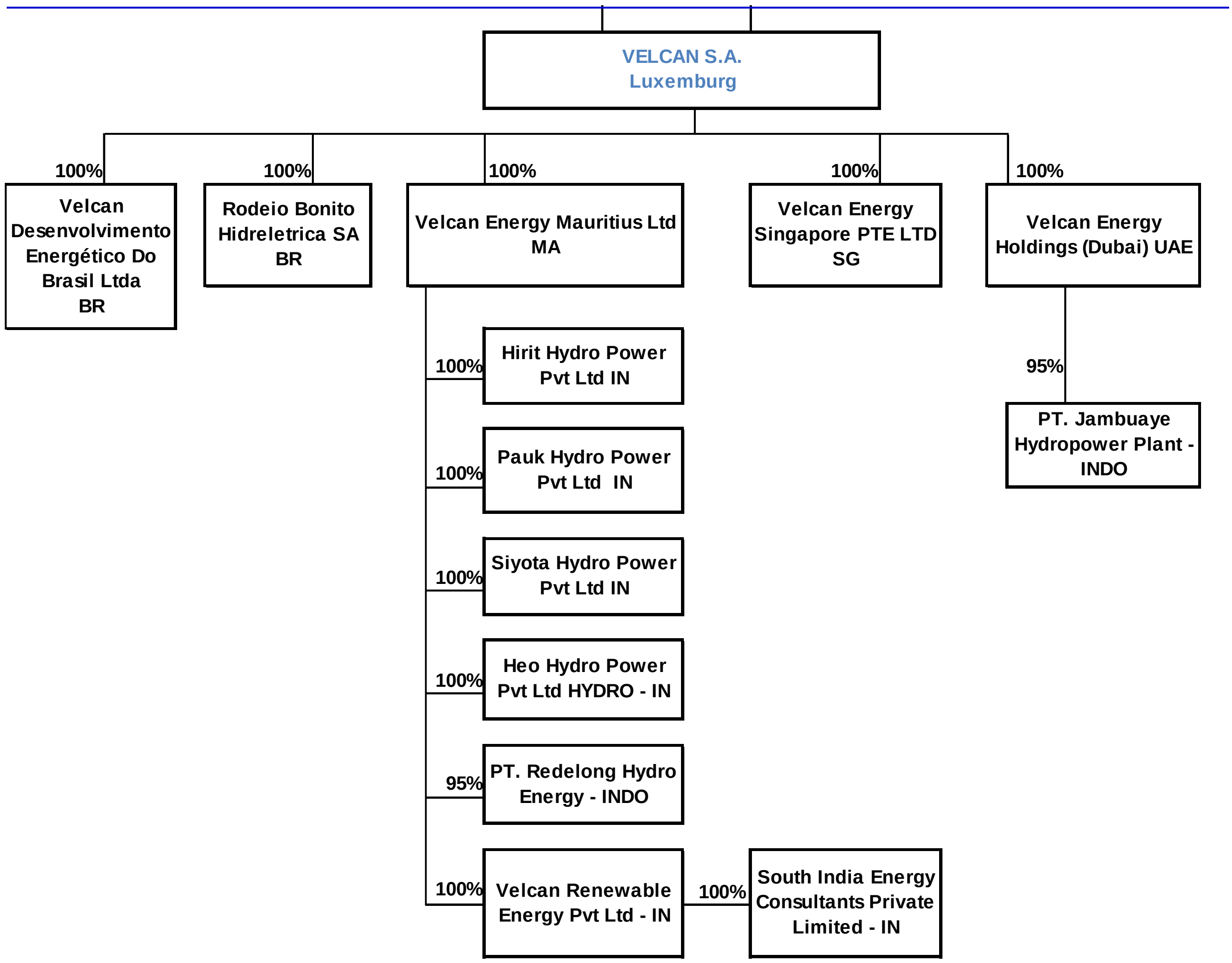
The Group also participated in the financing of the Bagepalli project located in the state of Karnataka, which entailed the construction of 5,481 methane biogas generation units for domestic use. These units enable the production of methane for domestic use (cooking) and are currently in operation. The project enables families to substitute kerosene in cooking, minimize grievous domestic accidents from burns and reduce deforestation. Uncontrolled deforestation results in the desertification of developing countries and kerosene use can lead to serious respiratory illnesses. This project is implemented by an Indian NGO, ADATS. Since July 2009, this installation is listed under the "Gold Standard" label, which is a label identifying CDM projects known for their excellence from a sustainable growth point of view (it generates « premium quality CERs », for more information, see http://www.cdmgoldstandard.org.The construction of all these units was completed in 2008. These units are now operating and generate 17.000 CERs annually. In 2017, the Group has retroceded the full ownership of those gold standard CERs to the local NGO.

The Group regularly undertakes actions in corporate social responsibility activities in India for the benefit of local populations in the area where its three hydroelectric projects of the Yarjep River are located. For instance, in 2017, the Group made financial contributions to various social and cultural events which matter to local people such as festivals and sport tournaments. Likewise, the Group has been financing for the sustainability of small local infrastructure such as suspension bridges and access ways to the village. Donations with medical purpose have also been granted. It also has also undertaken actions in corporate social responsibility in Indonesia, Sumatra in favor of the local population.

7. Research and development

Apart from the development of the hydroelectric power projects, the Group has not undertaken significant research and development activity.

8. Organization Chart



As of 31 December 2017, Velcan SA, the parent company of the group, which is based in Luxembourg, controls 13 companies, direct or indirect subsidiaries, located in seven countries: India, Brazil, the United Arab Emirates, Luxembourg, Mauritius, Singapore and Indonesia, different by their function and the geographical area where they operate.

II. CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

To the Shareholders
VELCAN
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L-1651 Luxembourg

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of VELCAN and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under those Law and standards are further described in the « Responsibilities of the "*Réviseur d'Entreprises Agréé*" for the Audit of the consolidated Financial Statements » section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the consolidated management report but does not include the consolidated financial statements and our report of the "*Réviseur d'Entreprises Agréé*" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "*Réviseur d'Entreprises Agréé*" for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "*Réviseur d'Entreprises Agréé*" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law dated 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Law dated 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "*Réviseur d'Entreprises Agréé*" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "*Réviseur d'Entreprises Agréé*". However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

Luxembourg, 26 April 2018

BDO Audit
Cabinet de révision agréé
represented by

Daniel Hilbert

2. Consolidated statement of financial position (assets)

(in thousands of Euros)

Assets	Note	31.12.2017	31.12.2016
Non current assets			
Intangible assets	1	13,862	16,551
Tangible assets	2	10,315	12,893
Non current financial assets	3	5,236	2,506
Deferred tax assets	4	-	339
Total non-current assets		**29,413**	**32,289**
Current assets			
Current financial assets	3	57,869	48,190
Inventories		15	17
Trade and other receivables	5	285	365
Income tax receivables		46	112
Other current assets	6	532	675
Cash and cash equivalents	7	37,536	54,449
Total current assets		**96,282**	**103,808**
Total assets		**125,694**	**136,098**

3. Consolidated statement of financial position (Liabilities)

(in thousands of Euros)

Liabilities	Note	31.12.2017	31.12.2016
Equity			
Issued capital	8	6,605	7,805
Additional paid in capital	8	128,020	139,780
Other reserves and conversion reserves	8	(2,235)	(13,020)
Net income for the year		(9,621)	(1,265)
Equity attributable to the equity holders of the parent		**122,770**	**133,301**
Non-controlling interests		21	(35)
Total Equity		**122,790**	**133,266**
Non current liabilities			
Non current provisions	10	835	894
Other non current liabilities	11	1,041	989
Total non-current liabilities		**1,876**	**1,883**
Current liabilities			
Current financial liabilities	9	-	116
Current provisions	10	6	6
Trade and other payables	12	684	778
Income tax payables		62	39
Other current liabilities	13	276	9
Total Current Liabilities		**1,028**	**948**
Total Liabilities		**125,694**	**136,098**

4. Consolidated statement of profit and loss and of comprehensive income

(in thousands of Euros)

Statement of Profit & Loss	Note	31.12.2017	31.12.2016
Operating revenues	14	3,111	3,650
Other operating revenues	14	1	61
Total operating revenues		**3,112**	**3,711**
Purchases	15	(1,273)	(266)
External expenses	16	(1,954)	(2,138)
Payroll expenses	17	(4,523)	(1,535)
Operating tax expenses		(18)	(15)
Depreciation, Amortization & Provisions	18	(3,135)	(6,425)
Current operating result	14	**(7,791)**	**(6,668)**
Other operating income	19	2,960	13
Operating result		**(4,831)**	**(6,655)**
Financial Income	20	7,902	6,590
Financial expenses	20	(12,061)	(727)
Financial Result		**(4,159)**	**5,863**
Income tax expense (-) / benefit (+)	4	(576)	(566)
Net result from continuing operations		**(9,566)**	**(1,358)**
Net result, group share		**(9,621)**	**(1,265)**
Net result, shares of non-controlling interests		**55**	**(93)**
Earnings per share (in Euros)	21	(1.59)	(0.21)
Diluted earnings per share (in Euros)	21	(1.59)	(0.21)

Statement of total comprehensive Income	Note	31.12.2017	31.12.2016
Net income		(9,566)	(1,358)
Other comprehensive income, that will not be reclassified subsequently to profit or loss	8	(3,436)	3,842
Total Comprehensive Income		**(13,002)**	**2,484**
thereof attributable to non-controlling interests		(52)	93
Group Total Comprehensive income		**(13,054)**	**2,577**

5. Consolidated cash flow statements

(in thousands of Euros)

Cash Flows	Note	31.12.2017	31.12.2016
Net consolidated profit		**(9,566)**	**(1,358)**
Adjustments for:			
Amortization and depreciation	18	3,135	6,425
Impairment, provision and write back		-	(9)
Income/loss from disposals of fixed assets		92	2
Expenses for share based payments	8	2,526	209
Interest and dividends Income	20	(3,493)	(2,372)
Change in deferred tax	4	339	219
Current Income tax expense (benefit)	4	237	347
Net change in fair value of financial instruments	20	4,684	(1,466)
Interests received		3,093	1,982
Dividends received		29	36
Current Income tax paid		(150)	(415)
Other non current operating income (expenses)	19	(2,960)	
Other financial income and expense	20	2,968	(2,025)
Variation of operating working capital		1,106	(148)
Cash flows from operating activities		**2,039**	**1,427**
Purchase / sale of affiliates	19	2,144	0
Acquisition of tangible and intangible assets	1-2	(826)	(2,039)
Disposal of tangible and intangible assets	1-2	2	9
Acquisition/Disposal of financial instruments	3	(12,083)	(6,741)
Change in loans and advances granted		(5,072)	(728)
Other financial income and expense	20	(2,968)	2,025
Cash flows from investment operations		**(18,802)**	**(7,473)**
Capital increase		-	80
Cash flows from financing operations		**-**	**80**
Net foreign currency translation differences		**(151)**	**359**
Net cash flow variation		**(16,914)**	**(5,607)**
Net opening cash		54,449	60,056
Net closing cash		37,536	54,449

6. Statement of changes in equity

In thousands of euros	Capital	Additional paid in capital	Own Shares	Foreign currency translation reserves	Reserves & consolid. net income	Total Group interest	Minority interests	Total Equity
Situation at 01.01.2016	**7,797**	**139,708**	**(15,473)**	**(8,183)**	**6,585**	**130,435**	**58**	**130,493**
Net income	-	-	-	-	(1,265)	**(1 265)**	(93)	(1,358)
Other comprehensive income	-	-	-	3,842	-	**3 842**	0	3,842
Total comprehensive income	-	-	-	3,842	(1,265)	**2 577**	(93)	2,484
Stock-Options exercised	8	72	-	-	-	**80**	-	80
Share based payments	-	-	-	-	209	**209**	-	209
Settlement in own share of share based payments	-	-	253	-	(253)	**(0)**	-	(0)
Situation at 31.12.2016	**7,805**	**139,780**	**(15,221)**	**(4,341)**	**5,276**	**133,301**	**(35)**	**133,266**
Situation at 01.01.2017	**7,805**	**139,780**	**(15,221)**	**(4,341)**	**5,276**	**133,301**	**(35)**	**133,266**
Net income	-	-	-	-	(9,621)	**(9,621)**	55	(9,566)
Other comprehensive income	-	-	-	(3,433)	-	**(3,433)**	(3)	(3,436)
Total comprehensive income	-	-	-	(3,433)	(9,621)	**(13,054)**	52	(13,002)
Capital decrease	(1,200)	(8,998)	10,198	-	-	**-**	-	-
Share based payments	-	-	-	-	2,526	**2,526**	-	2,526
Settlement in own share of share based payments	-	-	1,799	-	(1,799)	**-**	-	-
Other	-	-	-	-	(3)	**(3)**	4	0
Situation at 31.12.2017	**6,605**	**130,783**	**(3,224)**	**(7,774)**	**(3,621)**	**122,770**	**21**	**122,790**

7. Appendix on the consolidated financial statements

7.1. Accounting policies and valuation methods

7.1.1. General

In 2014, the ultimate parent company (and reporting entity) of the Group has changed. Until 2014, the Group's parent was Velcan Energy S.A., a French company incorporated in 2005 and previously domiciled at 75, boulevard Haussmann in Paris. In 2014, Velcan Energy S.A. has merged into Velcan Energy Luxembourg S.A., one of its wholly owned subsidiary. At the same time, the name of the new parent Company, Velcan Energy Luxembourg S.A., was changed to VELCAN, being now the parent of the Group.

Velcan S.A. (hereafter, the "Company "and together with its fully consolidated subsidiaries, the 'Group' or "VELCAN") is a public company limited by shares (société anonyme). Its registered office is located in Luxembourg. The Company is registered in the Luxembourg trade and company register under section B, number 145.006.

VELCAN develops and operates hydro power concessions in emerging markets. The Group aims to become a market leader in hydro power concessions up to 200 MW. The Group is currently operating a hydro power production facility in Brazil, and is in the development phase of projects in India and Indonesia.

The consolidated financial statements at 31 December 2017 present the position of Velcan SA and its subsidiaries (referred to hereinafter as VELCAN). The consolidated financial result was approved by the Company's Board of Directors on 26th April 2017 and the consolidated financial statements were authorized for issuance on 26th April 2017. The accounts will be submitted for approval by shareholders at the Annual General Meeting (General Assembly).

7.1.2. Compliance with accounting standards

The consolidated financial statements of VELCAN have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (hereafter "IFRS") as well as in accordance with articles 341bis of the Luxembourg law of 1915. The International accounting standards include the IFRS, the IAS (International Accounting Standards), and their SIC (Standing Interpretations Committee) and IFRIC (International Financial Reporting Interpretations Committee) interpretations.

Accounting standards adopted for the first time in the year under review

In 2017, no new accounting standard has been applied for the first time. Apart from the improvements, the following amendments to existing IFRS have been applied for the first time for the consolidated financial statements as of 31 December 2017:

Standard/Interpretation	
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IAS 7	Disclosure Initiative

The adoption of these standards did not have a material effect on the consolidated financial statements of VELCAN.

Newly-issued accounting standards which are not yet mandatory

The IASB has issued the following standards, interpretations and amendments which are not yet compulsory or which must be endorsed by the EU before they can be adopted; the table below omits changes brought to the standards through the annual improvements cycle:

Standard / Interpretation	Title	Effective date (EU)	Date of adoption under EU law
IFRS 17	Insurance contracts	-	Pending
IFRS 9	Financial instruments	2018	Nov 2016
IFRS 15	Revenue from Contracts with Customers	2018	Oct 2016
Amendments to IFRS 15	Clarifications to IFRS 15	2018	pending
IFRS 16	Leases	2019	Nov 2017
Amendments IAS 28	Long term interest in associates/joint ventures	-	pending
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	2018	Feb 2018
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	-	Pending
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration	2018	April 2018
Amendments to IAS 40	Transfers of Investment Property	2018	March 2018
Amendments to IFRS 9	Prepayment Features with Negative Compensation	2019	March 2018
IFRIC 23	Uncertainty over income Tax Treatments	-	Pending

The analysis with respect to the impact of the adoption of the new standards (in particular IFRS 16) on the presentation of financial position and result of operations is still ongoing.

Adoption of IFRS 9 shall have no effect since the financial assets will still be valued at Fair value through profit & Loss.

Adoption of IFRS 15 shall have no effect since the turnover is only composed of the sale of electricity generated during a given year at a contractual price.

7.1.3. Presentation of consolidated financial statements

The consolidated financial statements are presented in thousands of Euros, rounded to the closest thousand.

A) “Current” and “non-current” assets and liabilities

Current assets include customer receivables, inventories and all other assets that meet one of the following three conditions:

- the company expects to be able to dispose, sell or consume the asset as part of the normal operating cycle of the company (the normal operating cycle of a company refers to the period of time that elapses between buying raw materials used in an operating process and convert them in the form of cash or an instrument immediately convertible into cash);
- the asset is essentially held for the purpose of trading or for a shorter period and the company expects to dispose of it within 12 months after the year-end;

- the asset is cash for which there are no restrictions on use.

Current liabilities must include trade debts and all other liabilities that meet one of the following two conditions:

- the liability is going to be settled as part of the normal operating cycle of the company;
- the liability must be settled within 12 months after the year-end.

Other assets and liabilities not meeting this definition are reported as “non-current”.

B) “Current operating result” and “Other operating income and expenses”

The profit and loss statement is presented per nature, according to the choice offered by IAS 1.99.
This presentation shows a “current operating result” which corresponds to net result before:

- income on disposal of equity shares;
- other operating income and expenses which mainly include:
  - ✓ restructuring costs;
  - ✓ losses and profits and variations of provisions covering exceptional events, in other words extraordinary in their amount or occurring rarely;
  - ✓ gains or losses on disposals or depreciation of assets;
- financial income
- financial expenses,
- current and deferred tax expense / income
- net profit of investments accounted for using the equity method,
- net profit from discontinued operations.

C) EBITDA

EBITDA (Earnings Before Interests, Taxes, Depreciation and Amortization) is calculated as the line “Current operating result” of the statement of profit and loss less the line “Depreciation, Amortization & Provisions.”

7.1.4. Consolidation accounting principles

A) Integration policies

The consolidated financial statements include the financial statements of the parent company and the companies controlled by it. In accordance with IFRS 10, the Group controls a component if it has:

- Power over the Component
- Exposure, or rights to variable returns from its involvement with the component
- The ability to use its power over the component to affect the amount of the return.

Power is defined as existing rights that give it the current ability to direct the relevant activities. The Group applies the full integration method for all of its subsidiaries.

B) Elimination of reciprocal accounts and transactions

Intra-group balances and transactions as well as profits and losses resulting from intra-group transactions are eliminated for the purposes of the preparation of the consolidated financial statements.

C) Date and effect of acquisitions and disposals

The results of companies that are newly consolidated during the financial year are only attributed to the Group for the fraction earned after the date of transfer of control. Similarly, the results relating to companies sold during the financial year are only consolidated for the fraction realized prior to the date of transfer of control in accordance with IFRS 3 and IAS 27.

D) Translation of financial statements and accounts in foreign currencies

Each entity of the Group determines its own functional currency and the elements included in the financial statements of each entity are measured using this functional currency.

The main functional currencies used within the Group are the Indian Rupee INR (for subsidiaries in India), the Real BRL (for subsidiaries in Brazil) and the Dirham AED (for the Dubai holding). The exchange rates used by the Group are indicated in paragraph 7.3.

Operations in foreign currencies are initially recorded in the operating currency at the current rate of exchange as of the date of the transaction.

At year-end, the assets and liabilities of these subsidiaries are converted into the presentation currency of the Group at the current rate of exchange on this date and their income statements are converted at the average weighted rate of exchange for the year.

Exchange differences resulting from this conversion are directly presented under a separate heading of equity. When going out from an overseas business, the total amount of deferred foreign currency translation differences shown in the separate component of equity relating to this overseas business is posted to the income from the disposal thereof.

Group internal transactions:

Short-term positions impact the result on the same manner than external-to-the-Group currency positions. Unrealized foreign exchange variations on long-term positions, of which the settlement is neither planned nor likely in a foreseeable future, are booked in foreign currency translation reserve in the Group's equity and comprehensive income and do not impact the net result, according to the provisions of IAS 21 norm's following paragraphs « net investment in a foreign operation ».

When the investment (net) is taken out of the perimeter, this foreign currency translation reserve is reclassified in the Group's net profit.

E) Use of estimates

The main assumptions concerning future events and other sources of uncertainty linked to the use of estimates would relate to intangible assets (see 7.1.5 B and 7.4.1)

Intangible assets not available for use are mainly consisting in developments costs linked to the hydroelectric projects of VELCAN (EUR 13.9m as of December 2017 against EUR 16.5m as of December 2016).

At least once a year, the recoverable amounts of this type of intangible assets is measured. The recoverable amount is defined as the higher of an asset’s fair value less costs of disposal and its value in use. The fair value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.
The assumptions and estimates used in relation to the preparation of cash flow projections are highly judgemental.

The following key parameters are used by VELCAN:

- Financing structure of the project (equity / debt) and associated costs,
- Plant load factor determined through techno-economic studies and environmental studies,
- Length of the concession,
- Future electricity selling price based on local legislation,
- Tax rates,
- Costs estimated until the start of the construction, depending mainly on the length of administrative procedures and on the degree of requirement of local legislation in each country,
- Discount rate applied to cash flow: the discount rates used are comprised in the range of 8% to 11% depending on each country premium risk and borrowing rates. The discount rates used are the Weighted Average Cost of Capital (WACC).

According to the length of the administrative process and to the degree of uncertainty linked to above assumptions, cash flow projections might change significantly from year to year.

In particular, Indian projects valuation has been reviewed this year with additional risk factors which have been used regarding the country premium risk and the accumulated delays to take into account the specificity of risks of those projects described in the dedicated part. Use of those factors have led the management to apply an impairment to the valuation of those assets this year.

7.1.5. Valuation Methods and rules

All consolidated entities apply uniform accounting policies for similar transactions and events.

A) Goodwill

Business combinations are accounted for using the purchase method, in accordance with the provisions of IFRS 3 – Business combinations. All assets, liabilities and contingent liabilities acquired are posted at their fair value. Goodwill is measured as the difference between:

o the aggregate of (i) the value of the consideration transferred (generally at fair value), (ii) the amount of any non-controlling interest, and (iii) in a business combination achieved in stages (see below), the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree, and

o the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed (measured in accordance with IFRS 3).

Goodwill is not amortized but is tested for impairment annually or more frequently if internal or external events or circumstances indicate that a reduction in value is likely to have occurred. In particular, the balance sheet value of goodwill is compared to the recoverable amount which corresponds to the higher of market fair value and value in use. In order to determine their value in use, fixed assets are grouped together in the

Cash Generating Unit (CGU) to which they belong. The value in use of the CGU is determined by the discounted cash flow (DCF) before tax method. The recoverable amount of the CGU determined in this way is then compared to the contributory value of the assets in the consolidated balance sheet (including goodwill). A provision for depreciation is posted, if applicable, if this value in the balance sheet is more than the recoverable amount of the CGU and is applied as a priority against goodwill. This impairment is recognized in operating income. It cannot be reversed when it has been charged against goodwill. In accordance with IFRS 3, negative goodwill is recognized as profit immediately under operating income.

B) Intangible assets

Like all assets, an intangible asset is an identifiable element of the company's assets. An intangible asset is a non-monetary asset without physical substance.

According to IAS 38 "Intangible Assets", the conditions to be met to post an asset resulting from the development (or an internal project development phase IAS 38.57) or the development cost of a project to "intangible assets" item correspond to the following criteria:

- establishment of technical feasibility of completion of intangible asset so it can be used or sold;
- intention to complete intangible asset;
- ability of company to use it or sell it;
- determination of future economic benefits (in other words, the benefit this asset will contribute directly or indirectly to flows to the company);
- current or future availability of resources necessary to complete this project;
- ability to reliably measure costs related to this asset.

Elements acquired for payment are recognized at purchase cost and elements produced by the company are recognized at production cost. The entry costs of an intangible asset correspond to the direct costs attributable to the project only.
Production costs can be incorporated into the entry costs of the intangible asset when the conditions set out above are met. Costs incurred before this date are not retrospectively posted to assets.
The Group's main intangible assets are as follows:

- development costs meeting the above criteria;
- operating licenses including the costs directly associated with acquiring or obtaining them;
- patents acquired or created internally;
- software development costs, on its relative share of internal or external costs due to its creation or performance improvement

Intangible assets are amortized over their useful life by the user company and not over their probable life.

In the case of legal or contractual protection, the amortization period used is the shorter of the period of use and the duration of this protection. In this last case, it is possible to consider the renewal of rights when this renewal is materially and reasonably foreseeable.

Amortization starts on the date on which the asset is ready to be used for the purpose intended by the management.

The amortization applied reflects the pattern of consumption by the company of the future economic benefits expected from the asset.

If this cannot be reliably determined, the straight-line method is used. Useful life, mode of amortization and residual value must be re-examined at each year-end. In the case of application or reversal of depreciation, the amortization plan must be corrected.

Research activities are charged to expense when they are incurred and cannot be incorporated into the cost of the asset subsequently. Research costs charged to expense are, for example, activities aiming to obtain new knowledge, the search for alternative solutions for materials, processes or products…

Start-up costs must be charged to expense. Research costs, as well as other development and study costs not meeting the criteria mentioned above are also charged to expense in the financial year during which they are incurred.

C) Tangible assets

In accordance with IAS 16 "Tangible assets", the gross value of assets corresponds to their purchase price or production cost. It is not re-valued.

When the components of an asset have different lifetimes, they are posted separately and amortized over their particular useful life. Significant spare parts are thus capitalized and amortized over the useful life of the respective production units.

On the other hand, the maintenance and repair costs of production units intended to keep them in good working order and not to significantly increase the expected economic benefits or extend their useful life are recognized as an expense when they are incurred.

To date, obligations likely to generate dismantling and removal costs for assets have not been identified. Consequently, no costs of this kind are included in the cost price of the installations and accordingly no ad hoc provision ad hoc has been posted to liabilities.

When received, investment subsidies are posted against the assets they subsidize while repayable subsidies are presented in the liabilities of the balance sheet under the item "other debts".

Tangible assets are amortized using the straight-line method, over the principal estimated economic useful life of the corresponding assets, unless the asset is the subject of a license or a right for a shorter time.

Thus, production installations are amortized using the straight line method over their estimated useful life from the date on which the asset is ready to be put into service, in other words when it is in the necessary place and condition so it can be used in the way specified by the management.

The Group adjusts the useful life of fixed asset annually. Hydropower Plants are amortized using the straight line method over the duration of the concession. Other tangible assets are amortized using the straight-line method over periods between 2 and 10 years. To date, no Power Purchase Agreement (PPA) having been signed with conceding authorities for any concession owned by the Group, IFRIC 12 has not been applied to those assets. Depending on the concession, the norm may apply and impact the respective asset's classification in case such PPA would be signed.

D) Leased assets

According to IAS 17, leases are reported as finance leases when the terms of the lease agreement transfer substantially all the risks and rewards incident to ownership to the lessee. Property that is the subject of a finance lease agreement or similar is posted to assets, generally for the value stipulated in the agreement, under the corresponding fixed assets items; amortization is calculated over identical periods to those used for other assets of the same kind. The consideration for these assets is posted to the liabilities of the balance sheet under the item borrowing and financial debts and is amortized according to the schedule of the agreements for the fraction of the fees corresponding to the repayment of the principal amount. The restatement of fees has an impact on the income.

Lease agreements in which the lessor retains almost all of the risks and rewards incident to ownership of the asset are posted as simple lease agreements. Payments under simple lease agreements are posted as expenses in the income statement on a linear basis until the expiry date of the agreement.

E) Impairment of elements of fixed assets

According to IAS 36 “Impairment of assets”, the recoverable amount of tangible and intangible assets is tested as soon as there are any indications of impairment, these being reviewed at the end of each financial year.

- Intangible assets with a finite life and tangible assets: the value of significant assets is reviewed at each financial year-end to look for any indication of impairment. If such indications exist, the recoverable amount of the assets is estimated and impairment is recorded when the book value of an asset is more than its recoverable amount. The recoverable amount of an asset is the higher of an asset’s net selling price (selling fees included) and its value in use determined by estimating the future cash flows generated by the asset.
- Intangible assets with an indeterminate useful life: they are subject to an impairment test at the level of cash generating units according to the policies presented above in § A) Goodwill.

F) Financial assets

Financial assets are defined by standards IAS 32 “Financial instruments: presentation” and IAS 39 “Financial instruments: Recognition and measurement”. The latter requires financial assets to be reported in four categories:

- loans and receivables granted by the company

This category includes loans and receivables associated with financial investments. These assets are measured at amortized cost. Their value in the balance sheet includes the outstanding capital, subjected to a depreciation test in case there are clues of losses in their value. Impairment is recognized in the income statement.

- held-to-maturity financial investments

These assets essentially include bonds and certificates of deposit which cannot be readily available or disposed of in the very short-term or which present significant risks of impairment if interest rates change. They are acquired with the intention of keeping them until they mature. They are posted using the amortized cost method and subject to a depreciation test in case there are clues of losses in their value.

- Financial assets at fair value through profit and loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit at inception. Both categories are shown separately on the statement of financial position. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Financial assets designated at fair value through profit and loss at inception are those that are managed and their performance is evaluated on a fair value basis. Assets in this category are classified as current assets if they are expected to be realized within twelve months of the closing date. This category includes, in particular, cash mutual funds and negotiable debt securities, which can be mobilized or disposed of in the very short-term and do not present significant risks of impairment if interest rates change.

- available-for-sale financial assets

These assets include all other assets that do not correspond to the three previous categories. They essentially include equity shares and investment securities.

G) Cash and cash equivalent

Cash (as shown in Cash Flow Statement) is defined as the sum of cash available and cash equivalent less bank overdrafts, if any. There is no bank overdraft as of end of this financial year. Cash equivalent includes mainly deposits and Money Market Funds that are not subject to significant price variations, that are easily available and of which the conversion amount into cash is known or subject to insignificant variations.

H) Financial liabilities

Financial liabilities include bank debts and other financial debts. They are initially recorded at fair value net of transaction costs and subsequently valued at amortized cost. Financial liabilities also included derivatives in previous years.

I) Derivatives

Derivatives are firm or optional and relate to the following elements: an interest rate, an exchange rate, the price of a share, the price of a raw material, a credit risk or an index calculated on the basis of one of the underlying elements mentioned previously.

IAS 39 “Financial instruments: recognition and measurement” requires all derivatives to be recorded in the balance sheet at fair value when they are set up and when they are re-valued at each financial year-end

Derivatives are fair valued; all gains and losses are recognized in profit and loss.

J) Inventories

Stocks mainly consist of non-strategic spare parts required for the operation of plants. They are valued at cost price or mark-to-market price, if the latter is less than the purchase price.

K) Accounts receivable/Accounts payable

Accounts receivable and accounts payable are valued at their fair value on the date of initial recognition.

Provisions for depreciation are recorded for bad debts and determined per customer, depending on the assessment of the risk of non-collection.

L) Deferred taxation

In accordance with IAS 12 “Income taxes”, deferred taxes are recognized for all temporary differences between the carrying amounts of assets and liabilities and their tax base, as well as for tax deficits. Differences are temporary when they are expected to be reversed in the foreseeable future.

Deferred tax assets are recognized in the balance sheet when it is more probable than improbable that they will be used against future profits in foreseeable future.

In accordance with the standard, deferred tax assets and liabilities are offset for the same tax entity, tax assets and liabilities are not discounted.

M) Share option, warrants and free shares plans at agreed unit price

Share options can be granted to managers and certain employees of the Group. In accordance with IFRS 2 "Share-based Payment", these plans are recognized at fair value on the date they are granted. Value changes after the date of granting have no impact on this initial valuation (because these are plans settled in equity instruments).

The value of the plans is estimated according to current market practices. This value is recorded as a payroll expense on a straight-line basis between start date of acquisition of rights and the date of exercise – vesting period – with a direct counterpart in Equity.

When free shares replaced equity warrants and stock-option plans in 2016 and 2017, it has been agreed that the existing instruments would be replaced by free shares granted with a two to one ratio and following the same vesting, if any, as the one of the initial instruments agreements. The treasury shares held by the Group were used to allocate the above free shares.

N) Pension commitments and similar

There are no significant post-employment benefits (retirement pension or similar).

O) Provisions

In accordance with IAS 37, provisions are reported as current provisions (for the less than one year part) and non-current (for the more than one year part).

Provisions are reported when the Group has a legal, regulatory, implicit or contractual obligation as a result of past events, when it is probable that an outflow of resources is necessary to settle the obligation and the amount of the obligation can be reliably assessed. The amount posted to a provision represents the best estimate of the risk at each financial year-end, after consulting the company's legal advisors, if applicable.

P) Revenue Recognition

In accordance with IAS 18 requirements, a revenue is recognized in the income statement when it is probable that any future economic benefit associated with the item of revenue will flow to the entity, and the amount of revenue can be measured with reliability.

Turnover consists essentially of revenues obtained from:

- long-term energy supply contracts; and
- incidentally, engineering service revenues.

Q) Other operating income and expenses

Other operating income and expenses consist of transactions which, due to their characteristics, are unusual in nature or non-recurring. It includes mostly the results linked to entities sold or wind-up during the year and had a positive impact EUR 3.0m in 2017.

R) Method of calculating earnings per share

In accordance with IAS 33, net earnings per share is calculated by dividing the net income group share attributable to ordinary shareholders by the average weighted number of shares in circulation during the financial year. Net diluted earnings per share is obtained by dividing the net income group share by the average weighted number of shares in circulation during the period for which the calculation is carried out, adjusted by the maximum impact of the conversion of convertible instruments in ordinary shares according to the so-called share buyback method.

S) Segment reporting

In accordance with IFRS 8, VELCAN publishes primary segment reporting per geographical area.

The Group’s geographical segments are as follows:

- Europe
- South America
- Middle East and Africa
- Asia

7.2. Consolidation scope

As of 31 December 2017, the base of consolidation of Velcan includes 14 fully consolidated companies.

7.2.1. Base of consolidation

The following companies are consolidated:

Company in Luxembourg	Adress	Method of Consolidation	% of control 2017.12	% of Interest 2017.12	% of control 2016.12	% of Interest 2016.12	Comments
VELCAN SA	11 Avenue Guillaume, L-1651 Luxembourg	Parent Company	100%	100%	100%	100%	Created on 12/02/09
Indian Companies	**Adress**	**Method of Consolidation**	**% of control 2017.12**	**% of Interest 2017.12**	**% of control 2016.12**	**% of Interest 2016.12**	**Comments**
VELCAN RENEWABLE ENERGY Pvt Ltd	No. 572,"Samruddhi Nilaya",Unit No. 2, 2nd Floor,1st Cross, Police Station Road, Behind Govt High School, Hebbal,Bangalore-560 024	Full integration	100%	100%	100%	100%	Created on 31/03/2006
PAUK HYDRO POWER PVT LTD	G-77, Sujan Singh Park, New Delhi-110003	Full integration	100%	100%	100%	100%	Created on 15/11/2007
SIYOTA HYDRO POWER PVT LTD	G-77, Sujan Singh Park, New Delhi-110003	Full integration	100%	100%	100%	100%	Created on 15/11/2007
HEO HYDRO POWER PVT LTD	G-77, Sujan Singh Park, New Delhi-110003	Full integration	100%	100%	100%	100%	Created on 14/11/2007
HIRIT HYDRO POWER PVT LTD	G-77, Sujan Singh Park, New Delhi-110003	Full integration	100%	100%	100%	100%	Created on 14/11/2007
SOUTH INDIA ENERGY CONSULTANTS PRIVATE LIMITED	No. 572,"Samruddhi Nilaya",Unit No. 2, 2nd Floor,1st Cross, Police Station Road, Behind Govt High School, Hebbal,Bangalore-560 024	Full integration	100%	100%	100%	100%	Acquired on 06/02/2014
Company in United Arab Emirates	**Adress**	**Method of Consolidation**	**% of control 2017.12**	**% of Interest 2017.12**	**% of control 2016.12**	**% of Interest 2016.12**	**Comments**
VELCAN ENERGY HOLDING DUBAI	Office 33, Level 3, Gate Village Bldg # 4, Dubai International Financial Centre PO box 113355 - Dubai - UAE	Full integration	100%	100%	100%	100%	Created on 23/04/2007

Brazilian Companies	Adress	Method of Consolidation	% of control 2017.12	% of Interest 2017.12	% of control 2016.12	% of Interest 2016.12	Comments
VELCAN DESENVOLVIMENTO ENERGETICO DO BRASIL Ltda	Rua São Tomé, 86 cj 192. Vila Olímpia CEP 04551-080, São Paulo	Full integration	100%	100%	100%	100%	Created on 29/12/2005
SPE RODEIO BONITO	Avenida Getúlio Vargas, n. 283 S, 3° andar, sala 303 Centro – Chapecó CEP 89.802-001 Santa Catarina	Full integration	100%	100%	100%	100%	Created on 22/08/2007
QUEBRA DEDO HIDRELETRICA	Rua São Tomé, 86 cj 192. Vila Olímpia CEP 04551-080, São Paulo	Full integration	0%	0%	100%	100%	Created on 01/02/2008 Wind-up on 05/10/2017
PIRAPETINGA HIDRELETRICA	Rua São Tomé, 86 cj 192. Vila Olímpia CEP 04551-080, São Paulo	Full integration	0%	0%	100%	100%	Created on 28/02/2008 Wind-up on 05/10/2017
IBUTURUNA HIDRELETICA SA	Rua São Tomé, 86 cj 192. Vila Olímpia CEP 04551-080, São Paulo	Full integration	0%	0%	100%	100%	Created on 03/04/2008 Wind-up on 05/10/2017

Company in Mauritius	Adress	Method of Consolidation	% of control 2017.12	% of Interest 2017.12	% of control 2016.12	% of Interest 2016.12	Comments
VELCAN ENERGY MAURITIUS LIMITED	Level 2 Alexander House 35 Cybercity, Ebène, Republic of Mauritius Republic of Mauritius	Full integration	100%	100%	100%	100%	Created on 16/04/2009

Company in Singapore	Adress	Method of Consolidation	% of control 2017.12	% of Interest 2017.12	% of control 2016.12	% of Interest 2016.12	Comments
VELCAN ENERGY SINGAPORE PTE LTD	1 Scotts Road #24-05 Shaw Centre Singapore 228208	Full integration	100%	100%	100%	100%	Created on 06/05/2011
VELCAN MEUREUBO 2 HYDRO POWER PTE. LTD.	1 Scotts Road #24-05 Shaw Centre Singapore 228208	Full integration	0%	0%	100%	100%	Created on 10/11/2014 Sold on 11/07/2017

Company in Indonesia	Adress	Method of Consolidation	% of control 2017.12	% of Interest 2017.12	% of control 2016.12	% of Interest 2016.12	Comments
PT. Redelong Hydro Energy (formerly: PT Velcan Ilthabi Hydropower)	Gedung Inti Centre Jl. Taman Kemang No. 32 A, Bangka, Mampang Prapatan, Jakarta 12730, Indonesia	Full integration	95%	95%	95%	95%	Created on 13/10/2011
PT. Lampung Hydroenergy	Gedung Inti Centre Jl. Taman Kemang No. 32 A, Bangka, Mampang Prapatan, Jakarta 12730, Indonesia	Full integration	0%	0%	92%	92%	Created on 09/12/2011 Sold on 21/12/2017
PT. Aceh Hydropower	Gedung Inti Centre Jl. Taman Kemang No. 32 A, Bangka, Mampang Prapatan, Jakarta 12730, Indonesia	Full integration	0%	0%	95%	95%	Created on 04/01/2012 Sold on 11/07/2017
PT. Bilah Membangun (formerly: PT. Sangir Hydro)	Gedung Inti Centre Jl. Taman Kemang No. 32 A, Bangka, Mampang Prapatan, Jakarta 12730, Indonesia	Full integration	0%	0%	92%	92%	Created on 09/07/2012 Sold on 03/02/2017
PT. Jambuaye Hydropower Plant	Gedung Inti Centre Jl. Taman Kemang No. 32 A, Bangka, Mampang Prapatan, Jakarta 12730, Indonesia	Full integration	95%	95%	95%	95%	Created on 05/08/2015

7.2.2. Changes in consolidation scope

The consolidation scope has been reduced to 14 companies as of the end of 2017 FY, as compared to 21 companies as of the end of FY 2016.

7.3. Currency rates

1 € =	31.12.2017		31.12.2016	
	Closing rate	Average rate	Closing rate	Average rate
BRL (Brazilian Real)	3.98	3.61	3.43	3.86
INR (Indian Rupee)	76.68	73.57	71.63	74.46
AED (Dirham UAE)	4.39	4.15	3.87	4.07
USD (US Dollar)	1.20	1.13	1.05	1.11
SGD (Singapore Dollar)	1.61	1.56	1.52	1.53
IDR (Indonesian Rupiah)	16,133	15,115	14,243	14,768

7.4. Notes on the balance sheet and income statement

Note 1 – Intangible Assets

Intangible assets as of 31 December 2017 are detailed as follows:

In thousands of euros	Development costs	Intangible assets in progress	Licenses, patents and rights	Total
Gross value	2,710	28,568	1,239	**32,518**
Amortization & Impairment	(783)	(14,820)	(363)	**(15,967)**
Net closing balance at 31.12.2016	**1,926**	**13,748**	**876**	**16,551**
Gross value				
Opening balance at 01.01.2017	2,710	28,568	1,239	**32,518**
Foreign Currency translation	(352)	(1,844)	(169)	**(2,365)**
Acquisitions	-	777	-	**777**
Reclassification	-	21	-	**21**
Closing balance at 31.12.2017	2,357	19,962	1,070	**23,390**
Amortization & Impairment				
Opening balance at 01.01.2017	(783)	(14,820)	(363)	**(15,967)**
Foreign Currency translation	111	1,250	53	**1,414**
Amortization/Impairment for the year	(106)	(2,291)	(48)	**(2,445)**
Disposals/Write back	-	7,470	-	**7,470**
Closing balance at 31.12.2017	(778)	(8,392)	(358)	**(9,527)**
Net closing balance at 31.12.2017	**1,579**	**11,571**	**712**	**13,862**
Gross value	2,357	19,906	1,070	**23,333**
Amortization & Impairment	(778)	(8,335)	(358)	**(9,471)**
Net closing balance at 31.12.2017	**1,579**	**11,571**	**712**	**13,862**

Intangible assets mainly include amounts paid for acquiring the concessions for hydroelectric projects as well as external and internal costs incurred during the project's development and attributable to projects meeting the criteria defined in the accounting principles (see above, 7.1.5, B). These projects are as follow:

- Rodeio Bonito concession in Brazil: EUR 2.2m
- Direct costs on hydroelectric projects under development (India): EUR 11.7m

The most significant changes (a EUR -2.7m variation) during FY 2017 refers to:

- capitalization of development fees on projects under development: EUR 0.8m
- impact of FX variation: EUR -1.0m
- impairment and amortisation: EUR -2.5m

Of which

- Indonesian projects impairments and Rodeio Bonito amortization: EUR 0.3m
- Indian projects impairments: EUR 2.2m

Intangible assets as of 31 December 2016 are detailed as follows:

In thousands of euros	Development costs	Intangible assets in progress	Licenses, patents and rights	Total
Gross value	2,179	25,993	984	**29,156**
Amortization & Impairment	(541)	(8,794)	(249)	**(9,584)**
Net closing balance at 31.12.2015	**1,638**	**17,199**	**735**	**19,572**
Gross value				
Opening balance at 01.01.2016	2,179	25,993	984	**29,156**
Foreign Currency translation	531	1,398	255	**2,184**
Change in perimeter	-	23	-	**23**
Acquisitions	-	2,034	-	**2,035**
Disposals/Write off	-	(879)	-	**(879)**
Reclassification	-	(0)	-	**(0)**
Other movements				**-**
Closing balance at 31.12.2016	2,710	28,568	1,239	**32,518**
Amortization & Impairment				
Opening balance at 01.01.2016	(541)	(8,794)	(249)	**(9,584)**
Foreign Currency translation	(144)	(1,277)	(69)	**(1,490)**
Amortization/Impairment for the year	(99)	(5,628)	(45)	**(5,772)**
Disposals/Write back	-	879	-	**879**
Reclassification	-	0	-	**0**
Other movements				**-**
Closing balance at 31.12.2016	(783)	(14,820)	(363)	**(15,967)**
Net closing balance at 31.12.2016	**1,926**	**13,748**	**876**	**16,551**
Gross value	2,710	28,568	1,239	**32,518**
Amortization & Impairment	(783)	(14,820)	(363)	**(15,967)**
Net closing balance at 31.12.2016	**1,926**	**13,748**	**876**	**16,551**

Note 2 – Tangible assets

Tangible assets variations as of 31 December 2017 are detailed as follows:

In thousands of Euros	Land and Buildings	Technical installations	Vehicles	Furniture computer equip.	Total
Gross Value	18,106	245	26	168	**18,545**
Depreciation & Impairment	(5,302)	(238)	-	(112)	**(5,651)**
Net closing balance at 31.12.2016	**12,804**	**7**	**26**	**56**	**12,893**
<u>Gross value</u>					
Opening balance at 01.01.2017	18,106	245	26	168	**18,545**
Foreign Currency translation	(2,470)	(11)	(1)	(14)	**(2,496)**
Acquisitions	44	-	-	4	**49**
Reclassification	-	-	(21)	-	**(21)**
Closing balance at 31.12.2017	15,454	71	3	113	**15,640**
<u>Depreciation & Impairment</u>					
Opening balance at 01.01.2017	(5,302)	(238)	-	(112)	**(5,651)**
Foreign Currency translation	790	11	-	8	**809**
Depreciation/Impairment for the year	(681)	(4)	-	(5)	**(691)**
Disposals/Write back	0	163	-	44	**207**
Closing balance at 31.12.2017	(5,193)	(68)	-	(65)	**(5,326)**
Net closing balance at 31.12.2017	**10,261**	**3**	**3**	**48**	**10,315**
Gross Value	15,454	71	3	113	**15,640**
Depreciation & Impairment	(5,193)	(68)	-	(65)	**(5,326)**
Net closing balance at 31.12.2017	**10,261**	**3**	**3**	**48**	**10,315**

Tangible assets mainly consist of land acquisition and construction costs attributable to projects meeting the criteria defined in the accounting principles (see above, 7.1.5, C). For FY 2017, these projects are as follows (net amounts):

- Rodeio Bonito concession in Brazil EUR 10.3m

Main variations were:

- Depreciation on the Rodeio Bonito powerplant: EUR -0.7m (EUR -0.6 m for 2016)
- FX impact on retranslation of Rodeio Bonito: EUR -1.7 m due to the BRL (EUR +2.7 m for 2016)
- Disposal of Sukarame assets not impaired previously: EUR -0.2m (EUR -0.6 m for 2016)

Tangible assets variations as of 31 December 2016 are detailed as follows:

In thousands of Euros	Land and Buildings	Technical installations	Vehicles	Furniture computer equip.	Total
Gross Value	14,396	248	26	175	**14,844**
Depreciation & Impairment	(3,637)	(223)	-	(97)	**(3,957)**
Net closing balance at 31.12.2015	**10,759**	**25**	**26**	**78**	**10,887**
<u>Gross value</u>					
Opening balance at 01.01.2016	14,396	248	26	175	**14,844**
Foreign Currency translation	3,709	16	0	14	**3,739**
Change in perimeter	-	-	-	(23)	**(23)**
Acquisitions	2	-	-	3	**4**
Disposals/Write off	-	(19)	-	(1)	**(20)**
Closing balance at 31.12.2016	18,106	245	26	168	**18,545**
<u>Depreciation & Impairment</u>					
Opening balance at 01.01.2016	(3,637)	(223)	-	(97)	**(3,957)**
Foreign Currency translation	(1,029)	(15)	-	(8)	**(1,051)**
Depreciation/Impairment for the year	(637)	(10)	-	(7)	**(653)**
Disposals/Write back	-	9	-	-	**9**
Closing balance at 31.12.2016	(5,302)	(238)	-	(112)	**(5,651)**
Net closing balance at 31.12.2016	**12,804**	**7**	**26**	**56**	**12,893**
Gross Value	18,106	245	26	168	**18,545**
Depreciation & Impairment	(5,302)	(238)	-	(112)	**(5,651)**
Net closing balance at 31.12.2016	**12,804**	**7**	**26**	**56**	**12,893**

Note 3 – Current and non-current Financial assets

Financial assets are mainly consisting in listed bonds and equities:

Thousands of Euros	31.12.2017	31.12.2016
Financial assets designated at fair value through profit and loss	56,202	48,113
Loans and receivables	1,667	78
Total Current Financial assets	**57,869**	**48,190**
Financial assets designated at fair value through profit and loss	1,840	1,624
Loans and receivables (1)	3,396	882
Total non-current financial assets	**5,236**	**2,506**
Total financial assets	**63,105**	**50,696**

(1) **Litigations and recovery procedure of a direct secured loan**

In 2016 the Group, as part of the management of its USD treasury, has accorded a direct senior loan of USD 1.6 Million to a third party for financing the acquisition of a vessel. The loan was secured by a first preferred mortgage. Since then the borrower has defaulted and the vessel has been arrested in Nigeria by other alleged creditors. The loan has been restructured with a new borrower and the Group has engaged procedures to lift the arrests and recover its dues. Several arrests have already been lifted. As of 31st December 2017 the total amount due under the restructured loan is USD 3.1 m and various recoverable expenses related to the recovery of the said loan amounts to USD 0.7 m. The amount due by the new borrower remains secured by a first rank mortgage on the said vessel. To the extent that the recoverability of the loan will depend ultimately on the resolution of the legal disputes in relation with the ownership of the vessel and potentially the enforceability of the mortgage, a partial impairment has been booked in the accounts.

Note 4 – Deferred tax and Income Tax

The income tax is broken down as follows:

In thousands of Euros	31.12.2017	31.12.2016
Current Income Tax	(237)	(347)
Deferred tax	(339)	(219)
Tax income (+) and Expenses (-)	**(576)**	**(566)**

Deferred tax assets mainly refer to a deferred tax asset on tax losses brought forward at the level of VELCAN.

The reconciliation between recorded and theoretical income tax is detailed as follows:

In thousands of euros	31.12.2017	31.12.2016
Net income	**(9,566)**	**(1,358)**
Net profit of investment accounted for using the equity method	-	-
Income tax	(576)	(566)
Income before tax	**(8,990)**	**(792)**
Theoretical rate of taxation	**27.08%**	**29.22%**
Theoretical tax profit (+) or loss (-)	**2,435**	**231**
Permanent/temporary differences	2,623	1,029
Variation of tax loss recognized as assets	(339)	(219)
Tax loss not recognized as assets	(5,083)	(510)
Tax rate differences	(214)	(1,095)
Other differences	2	(2)
Tax Income (+) and Expenses (-)	**(576)**	**(566)**

In accordance with IAS 12, the Group has assessed its ability to collect deferred taxes recognized as assets on a case by case basis.. Indian subsidiaries owning Arunachal Pradesh (India) concessions have no tax losses brought forward.

Cumulated deficits of other entities (Mainly Indian, Brazilian and Singaporean holdings) have not been activated because the probability to be in a position of using those deficits against future benefits is very uncertain.

Note 5 - Trade and other receivables

Trade and other receivables are broken down as follows:

In thousands of Euros	31.12.2017	31.12.2016
Biomass electricity customers in India	2,541	2,720
Provision on Biomass electricity customers	(2,541)	(2,720)
Hydro electricity customers	283	348
Others	2	17
Total	**285**	**365**

The hydro power sales receivables relate to Rodeio Bonito 2017 power production and amount to EUR 0.3m. Payment has been received subsequent to year end.

The Group previously owned two Biomass power plants in India, named Satyamaharshi (SMPCL) and Rithwik (RPPL). As of 31 December 2017, the payment arrears claimed by VELCAN for its period of ownership amount to EUR 2.5m, before interests. These arrears are related to a dispute between the Association of Biomass Producers of the State of Andhra Pradesh and their client APTRANSCO. These amounts have been fully impaired while awaiting the outcome of this dispute.

Note 6 – Other Current Assets

Other current assets are broken down as follows:

In thousands of Euros	31.12.2017 Net	31.12.2016 Net
Tax and social receivables	318	332
Other receivables	214	343
Total	**532**	**675**

Note 7 – Cash & Cash equivalents

The Cash & Cash equivalent is allocated as follows:

In thousands of Euros	31.12.2017	31.12.2016
Cash equivalent	22,054	49,266
Cash	15,481	5,184
Cash & Cash equivalent (Assets)	**37,536**	**54,449**
Current creditor bank accounts	-	-
Total net cash balance	**37,536**	**54,449**

Note 8 – Equity

Capital:

As at 31 December 2017, the subscribed capital amounts to EUR 6,605,442 represented by 6,605,442 fully issued and subscribed shares with a nominal value of EUR 1 each.

The authorized share capital amounts to EUR 30,000,000 represented by 30,000,000 shares with a nominal value of EUR 1 each.

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximising the return to stakeholders. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets and the overall strategy remains unchanged from 2016. The subscribed capital is sufficient to support the Group's financial needs during pre-construction/prospection stage. The Group will review its capital requirements as it moves to the construction stage.

Own Shares:

At 31st December 2017, the Group holds 379,332 own shares (2016: 1,791,382). At year end closing price of EUR 9.85 those own shares have a market value of EUR 3.4m. In accordance with IFRS rules, those shares reduce shareholders' equity by the amount of the initial acquisition cost and the unrealized gain on own shares is not taken into account in the Group's consolidated result.

Change in number of shares:

In number of shares	31.12.2017	Unit Price	31.12.2016	Unit Price
At beginning of the period	**7,805,442**	**1.0**	**7,797,442**	**1.0**
Cash capital increase on 08 January 2016		1.0	8,000	1.0
Capital reduction on 31 July 2017	1,200,000			
At the end of the period	**6,605,442**	**1.0**	**7,805,442**	**1.0**

Conversion reserves and Available for Sale financial assets reserves:

At the end of the period the assets and liabilities of subsidiaries are translated into the current currency of the Group at the rate of exchange prevailing at that date (see 7.3) and their income statements are translated at the weighted average exchange rate of the year. Foreign exchange differences between the historical data and results of these conversions are assigned to conversion reserves.

The conversion reserves include also the unrealized exchange differences on long term loans, in currencies, granted to the subsidiaries. Hence, as of 31 December 2017, those cumulative reserves represent an unrealized loss of EUR -7.7m, booked against equity, versus a net unrealized loss of EUR -4.3m at the end of 2016.

In thousands of Euros **Other comprehensive Income**	Conversion reserve on Retained Earnings and Equity	Conversion reserve on LT Interco Loans	Total
Opening balance at 01.01.2017	(3,999)	(342)	(4,341)
Variation in 2017	(906)	(2,527)	(3,433)
Closing balance at 31.12.2017	(4,905)	(2,869)	(7,774)

In thousands of Euros **Other comprehensive Income**	Conversion reserve on Retained Earnings and Equity	Conversion reserve on LT Interco Loans	Total
Opening balance at 01.01.2016	(4,029)	(4,154)	(8,183)
Variation in 2016	30	3,812	3,842
Closing balance at 31.12.2016	(3,999)	(342)	(4,341)

Share based payment arrangements

i. Equity Warrants existing as of 31/12/2017:

The Company has issued stock-options and equity warrants during previous financial years to employees, management or consultants of the Company and its subsidiaries. One equity warrant gives the right to apply for one share.

As of the 31st December 2017, the following equity warrants are issued and still valid:

Warrant ref.	Issue date	Number of warrants existing	Number of warrants exercisable	Subscription price	Expiry date	Fair value of the plan at grant date (k€)	Cost for 2017 (k€)
BSA2013-1	23/04/2013	13 600	13 600	10 Eur	23/04/2023	40	0
BSA2013-2	23/04/2013	8 000	8 000	21.4 Eur	23/04/2023	3	0

ii. <u>other share based payment arrangements:</u>

In 2016, whereby three equity warrants plans granted to a director of subsidiaries of the Group were traded against existing shares held by the Group as treasury shares with a ratio of one existing share for two equity warrants. 29,750 shares were traded against 59,500 equity warrants already vested in 2016 at the date of the transaction. The non-vested equity warrants were traded against existing shares with the same two to one ratio and following the same vesting as the one of the equity warrants original agreements. In 2017, 3000 shares were vested (distributed in January 2018) and 2250 shares will be transferred on 31/12/2018 as final execution of this transaction. The fair value methodology (Black & Scholes model) as described below was applied (vi.) and the incremental cost recognized for 2017 is EUR 41,138.

iii. <u>Free shares plans granted to the management of the company during the year:</u>

New instruments (Free shares Grant) were allocated to the management on September 20th 2017
The fair value methodology (Black & Scholes model) as described below was used (vi.). Expected volatility was 17.11% while the risk free interest rate was factored at 0.6%. The detail of the vesting and related fair value is as below:

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL
Vesting of Free Shares for the management (in Shares)	195,000	32,500	32,500	32,500		292,500
Of which distributed	195,000					195,000
Of which not distributed	-	32,500	32,500	32,500		97,500
Fair value of new plans	2,378,801	564,502	275,179	113,092		3,331,575

iv. <u>Stock Options plans and Equity warrants that have been cancelled, replaced or expired during the year:</u>

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL
Cancellation or termination of Stock-options and equity warrants plans (in number of potential new shares)	- 707,275	- 57,075	- 53,250	- 50,250	- 750	- 868,600
Fair value at grant date of Stock-options and equity warrants plans cancelled	- 2,837,847	- 82,679	- 46,279	- 20,972	- 647	- 2,988,424

Above plans cancelled includes mostly equity warrants previously granted to Luxembourg Hydro Power, a company related to the management of the Company and cancelled during the year (Fair value at grant date of EUR 2,485,362).

v. <u>Free shares plans granted in the year to employees following the cancellation of their existing share based payment instruments:</u>

A large part of the share based payment instruments allocated during previous financial years to employees of the Company and its subsidiaries have been replaced in September 2017 by free shares Grant. The fair value methodology (Black & Scholes model) as described below was used (vi.).The detail of the vesting and related fair value is as below:

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL
Vesting of Free Shares replacing existing warrants and stock-options (in shares)	19,313	2,637	1,125	750	375	24,200
Of which distributed	17,050					17,050
Of which not distributed	2,263*	2,637	1,125	750	375	7,150
Fair value of Free Shares plan (in k€)	311,772	32,697	9,222	3,610	997	358,298
Incremental fair value of Free Shares plan (in k€)	152,938					152,938

* Paid in January 2018

When free shares replaced option plans, it has been agreed that the non-vested options would be replaced by free shares with a two to one ratio and following the same vesting as the one of the initial options agreements. The treasury shares held by the Group were used to allocate the above free shares. The original subscription prices of equity warrants and stock-options plans were between EUR 8.7 and 27.7. Share price used in the model was EUR 11.39, while expected volatility (based on 100 days of stock exchange prices) was 17.11% and option life between 6 months for the shortest plan and 8 year for the longest plan. No dividend expected were featured in the model, while the risk free interest rates were factored between -0.65% for the shortest Plan and 0.35% for the longest Plan.

vi. Fair value Methodology:

Fair value - when the Free Shares (and previous options and warrants) were granted - has been estimated with Black & Scholes model and following assumptions: the discount rate used for the evaluation corresponds to the OAT accrued at the date of maturity of the French Treasury bonds and Stock volatility is estimated on the closing price of 100 cumulative days before each respective Board. For non-vested instruments a weighted prorated calculation is used on the basis of time between the attribution date and the vesting date. Once the instrument is vested the full fair value cost is booked in the reserve.

The free shares did not impact cash and does not affect shareholders' funds. EUR 2.5m of payroll expenses has been booked in the net income statement. EUR 1.0m is still to be booked on future financial years between FY 2017 and FY 2021 for 2017 Free Shares plans.

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 a shareholder against each share continuously registered for a period of 4 years under such shareholder's name in the nominative register held directly by the custodian specially appointed by the Company for that purpose (BNP Paribas Securities Services as of the 31/12/2016). A second Beneficiary share is allocated to the shareholder of each share continuously registered for a period of 6 years under the shareholder's name in the nominative register held directly by the custodian specially appointed by the Company for that purpose (BNP Paribas Securities Services as of the 31/12/2017). As a result, the total number of voting rights in the company, existing at 31st December, 2017, is as follows: 10,686,159 (This number includes 379,332 treasury shares from which the voting rights are suspended as per applicable regulations).

Note 9 – Non-current and current Financial liabilities

Non-current and current financial liabilities relate mainly to derivatives instruments (options and forward forex with unrealized loss, booked in the income statement) in 2016 FY. There are none in 2017 FY.

Note 10 – Non-current provisions

Non-current and current provisions cover the following risks:

In thousands of Euros	31.12.2016	Forex Difference	31.12.2017
Provision for retirement payments	0	-	0
Provision for disputes (1)	894	(59)	835
Other provision for expenses	(0)		(0)
Total Provisions (non-current liabilities)	**894**	**(59)**	**835**
Provision for disputes	6	(0)	6
Total provisions (current liabilities)	**6**	**(0)**	**6**
Total provisions	**901**	**(59)**	**841**

Litigation following the acquisition of Satyamaharshi Power Plant (India):

Parties: Velcan India Pvt. Ltd (VEIPL), defendant and the plaintiffs, sellers of the Satyamaharshi Power Corporation Limited (SMPCL, also defendant and outside the consolidation scope as of 31 December 2017).

Facts: SMPCL owns and exploits a biomass thermal plant of 7.5MW. VEIPL bought SMPCL in 2006 and sold it in 2010. According to the agreement signed on 7 April 2006 between VEIPL and the transferors during the acquisition of SMPCL, VEIPL was permitted to retain, during a certain period, a part of the price (INR 15m, or EUR 0.2m at 2017 closing rate) in order to compensate any liabilities that may appear after the acquisition but corresponding to the management period of the vendors prior 2006. Given the issues and liabilities discovered after the acquisition of SMPCL, this amount has been kept as per the terms of the share purchase agreement.
The transferors or related parties today allege that these amounts are due to them and they initiated in 2008 a legal dispute before the Hyderabad City Civil Court, in India.

The same agreement signed on 7 April 2006 states that the receivables in current account (INR 28.9m or EUR 0.4m at 2017 closing rate) detained by them and other related parties, would have been paid for by SMPCL only in case the carbon credits generated before acquisition would have been delivered before October 2007. With the delivery having taken place only in 2008, these amounts have been retained by SMPCL, and the receivables have become obsolete.
After many pre-suit contacts, the related parties owing the initial receivables, and related to the Sellers, filed, at the end of 2008, a claim before the Hyderabad City Civil Court, against SMPCL and VEIPL

Demands: to date the transferors have filed three payment demands against VEIPL:

1. Regarding the disputed retention following the acquisition, for a total amount of EUR 0.3m (at 31/12/2017 closing rate), corresponding to EUR 0.2m as per the share purchase agreement and additional EUR 0.1m of interest from 01 January 2007 to 15 November 2009, date of the filing of the suit. (Amounts stated at closing rate, interest rate of 18%

per year claimed until the payment). This case is still going on and the Group considers the alleged claim is untenable.

2. Regarding the payment of receivables, for a total amount of EUR 0.6m (at 31/12/2017 closing rate), corresponding to EUR 0.4m of principal and EUR 0.2m of interest from 1st April 2006 up to the filing of the suit. (Interest rate of 24% per year until the payment). The City Civil Court, Hyderabad ruled in favor of VEIPL and dismissed the transferors claim on 18th October 2016. M/s. Vishwaksen Industries Private Limited, not filed an appeal against the dismissal of the above Suit within the required 90 days period from the date of the Judgment (i.e 18th October, 2016). However the provision has been maintained as precautionary measure as appeals may in practice be filed for a longer period of time.
3. A new demand has been filled in January 2012 by the transferors against VEIPL and the new shareholders of SMPCL. The transferors are denouncing a delay in the substitution of their personal guarantees given to the creditors which financed the construction of the biomass plant. They are claiming EUR 0.1m (at 31/12/2017 closing rate) plus interest. The case is pending in the court and is under trial stage. The Group considers this demand as frivolous, such as the other claims and has not made any additional provision.

These three litigations are currently still ongoing.

The Group strongly contests owing these amounts. These procedures are still pending before the concerned Courts of the State of Andhra Pradesh. The existing provision amounts to EUR 0.9m at 31 December 2017 and represents the major part of the claim raised. Besides, following the acquisition of SMPCL, the Group discovered different elements justifying the involvement of liability guarantees of the transferors, including a large difference in biomass stock established during the physical inventory, and litigations discovered after acquisition. Following the failure of the pre-litigation that began in 2006, the group may initiate appropriate proceedings to recover these due amounts. Given the low level of solvency of the transferors and the length of the Indian legal procedures, no receivables against these sellers had been booked in the accounts.

Note 11 – Other non-current liabilities

These pertain to advances received of which a reimbursement could be done depending on certain conditions. In previous years, the Group has received several payments pertaining to litigations with APTRANSCO as described under note 5. Although it relates to some first step victories in court, the final outcome of those litigations is still very unsure.

Note 12 – Trade and other Payables

Suppliers and other creditors are detailed as follows:

In thousands of euros	31.12.2017	31.12.2016
Suppliers	456	539
Debts on acquisition of fixed assets (1)	174	184
Others	55	56
Total	**684**	**778**

(1) In 2016: those amounts corresponds mainly to the remaining debt, not paid so far since conditions are not met as per the contracts, to the sellers of Quebra Dedo concession in 2016. This amount has been booked as profit following the winding off of the company in 2017.
In 2017: those amounts corresponds to payable to suppliers of Rodeio Bonito power plant.

Note 13 – Other current liabilities

These is an advance received on the sale of a private equity asset in India. The final settlement on this sale has been received in April 2018.

Note 14 – Business Segment

In accordance with the Group's management and internal reporting rules, business segment is presented per **geographical area**:

31.12.2017 *In thousands of Euros*	Europe	South America	Middle East & Africa	Asia	Total
Income Statement					
Turnover (1)	-	3,111	-	-	**3,111**
Current operating profit	(3,157)	337	(3,083)	(1,889)	**(7,791)**
EBITDA (2)	(5,353)	3,478	618	(440)	**(1,696)**
Net Income (Group Share)	(4,014)	1,869	(9,211)	1,790	**(9,566)**
Tangible assets	(0)	10,289	0	26	**10,315**
Depreciation, Amortization & Provisions	(14)	(834)	(2,209)	(78)	**(3,135)**

(1) More than 10% of the turnover is coming from three clients

(2) The EBITDA corresponds to Earnings Before Interest Taxes, Depreciation and Amortization

31.12.2016 *In thousands of Euros*	Europe	South America	Middle East & Africa	Asia	Total
Income Statement					
Turnover (1)	-	3,650	-	-	**3,650**
Current operating profit	(1,497)	1,973	(3,856)	(3,288)	**(6,668)**
EBITDA (2)	(1,237)	2,753	65	(1,810)	**(230)**
Net Income (Group Share)	(1,287)	1,151	2,869	(4,091)	**(1,358)**
Intangible assets	1,210	2,701	1	12,639	**16,551**
Tangible assets	-	12,601	2	290	**12,893**
Depreciation, Amortization & Provisions	(245)	(780)	(3,905)	(1,496)	**(6,425)**

(1) More than 10% of the turnover is coming from three clients

(2) The EBITDA corresponds to Earnings Before Interest Taxes, Depreciation and Amortization

The turnover per activity is as follows: EUR 3.1m for hydro sales.

Note 15 – Consumed purchases

Those amounts correspond essentially to MRE payments in Brazil for EUR 1.3m in 2017 (EUR 0.3m in 2016 (page 14).

Note 16 – External expenses

External expenses include audit fees as detailed below as well as:

- EUR 0.6m of expenses related to Rodeio Bonito operation
- EUR 0.5m of external expenses related to the recoverability of the loan mentioned in note 3
- EUR 0.2m of rental expenses
- EUR 0.2m of investment management and bank fees
- EUR 0.1m of travel and entertainment expenses
- EUR 0.1m of insurance premiums
- EUR 0.3m of other various expenses

In thousands of Euros	31.12.2017	31.12.2016
Annual accounts auditor fees (BDO)	85	89
Annual accounts auditor fees (others)	2	2
Total	**87**	**91**

Note 17 – Employee expenses

Total average number of employees

Number	31.12.2017	31.12.2016
Engineers and executives	19	23
Office workers and Manual workers	10	15
Average registered number of employees	**29**	**38**

Key management personnel compensation

In thousands of Euros

- short-term employee benefits (1): 1,626
- post-employment benefits NA
- other long-term benefits NA
- termination benefits NA
- fair value in 2017 on Free shares granted (2) 2,379

(1) Employment benefits for key management personnel / Board Members

(2) 2017 fair value on vested free shares by key management personnel / Board Members. 292,500 free shares have been granted to the management in 2017 of which 195,000 have vested in 2017.

The increase compared to 2017 is mostly due to Free shares Grant (see note 8 above).

Note 18 - Depreciation and provisions

In thousands of Euros	31.12.2017	31.12.2016
Intangible assets		
Amortization	(154)	(144)
Provision allowance (1)	(2,291)	(5,628)
Total Intang. Assets	**(2,445)**	**(5,772)**
Tangible assets		
Depreciation (2)	(691)	(653)
Total Tangible Assets	**(691)**	**(653)**
Total amort., dep. and prov.	**(3,135)**	**(6,425)**

(1) Corresponds essentially to provisions/depreciations on Indian capitalized project costs

(2) Corresponds essentially to the depreciation of the Rodeio Bonito concession

Note 19 – Other operational income and expenses

In FY 2017, it corresponds mainly to the net gain on Indonesian projects and entities disposal. It amounts to EUR 3.0m

Note 20 – Net cost of debt and other financial income and expenses

In thousands of Euros	31.12.2017			31.12.2016		
	Income	Expense	Total	Income	Expense	Total
Profit (+) / Loss (-)						
Net Change in Fair Value on FI*	1,523	(6,207)	(4,684)	1,466	-	1,466
Interest & dividends Income (Expense) on FI	3,493	-	3,493	2,372	-	2,372
Other result from FI	2,760	(137)	2,623	273	(343)	(70)
Result from cash and cash equivalents	73	-	73	332	-	332
Foreign currency translation gains/Losses	53	(5,716)	(5,664)	2,147	(384)	1,763
Total financial result	**7,902**	**(12,061)**	**(4,159)**	**6,590**	**(727)**	**5,863**

*FI: Financial Instruments

Net change in fair value on financial instruments includes unrealized foreign exchange differences on those instruments.

Note 21 – Earnings per share

The calculation of earnings per share is detailed below:

	31.12.2017	31.12.2016
Net earnings (in thousands of euros)	**(9,621)**	**(1,265)**
Weighted average shares in circulation (1)	6,069,332	5,985,053
Earnings per share (in euros)	**(1.59)**	**(0.21)**
Weighted average of convertible instruments converted into ordinary shares (2)	6,103,302	6,117,573
Diluted earnings per share (in euros)	**(1.59)**	**(0.21)**

(1) After deduction (addition) of weighted average treasury shares depending on their date of acquisition (Sale)

(2) After addition of weighted average impact of convertible instruments (equity warrant) existing as of December 31st, 2017

Note 22 –Off balance sheet commitments

1) Guarantees given by Velcan Renewable Energy Pvt. Ltd. to the buyers of RPPL Biomass plant, following the sale finalized in February 2010, as part of the sale agreement.

   Those commitments include (other guarantees given have expired or are no more relevant due to closing of the cases):

   i) Specific guarantee linked to a claim between RPPL and one of its supplier, limited to INR 11m (EUR 0.1m)

2) Whatever guarantees that were given to RPPL buyers at time of acquisition, the Group is contesting all the related claims from third parties (suppliers and clients mentioned above). Guarantees given by South India Energy consultants Private Limited / Velcan Renewable Energy Pvt. Ltd. to the buyers of SMPCL Biomass plant, following the sale finalized in July 2010, as part of the sale agreement.

   Those commitments include (other guarantees given have expired or are no more relevant due to closing of the cases):

i) Specific guarantee linked to litigation between SMPCL and one of its contractors, with no limited amount (EUR 0.2m claimed, before interest).

The guarantee regarding specific litigations related to SMPCL, VEIPL and the earlier owners of SMPCL was provisioned directly in the books by Velcan Renewable Energy Pvt. Ltd. (see note 10 (1) above, worst case scenario risk estimated at EUR 0.8m)

Whatever guarantees that were given to SMPCL buyers at time of acquisition, the Group is contesting all the related claims from third parties (suppliers and clients mentioned above).

3) The Group has committed to honor a contract in India with one of its supplier relative to Pauk TEC and amounting to EUR 0.1m.

4) Specific guarantees related to the sale of Meureubo 2 Hydro power project:

Velcan Energy Mauritius Ltd has given guarantees to the buyers with a ceiling of 50 kUSD until 31/12/2018 to cover potential losses arising from claims linked to the period of management by Velcan.

Velcan Energy Mauritius Ltd has given guarantees to the buyers with no limited amount and no time limit to cover potential tax losses linked to the period of management by Velcan.

5) Specific guarantees related to the sale of Sukarame Hydro power project:

Velcan Energy Holdings (Dubai) Ltd has given guarantees to the buyers with no limited amount until 31/12/2018 to cover potential losses arising from claims linked to the period of management by Velcan.

Velcan Energy Holdings (Dubai) Ltd has given guarantees to the buyers with no limited amount and no time limit to cover potential tax losses linked to the period of management by Velcan.

Note 23 – Related party transactions

Key management personnel compensation is given in note 17 above.
Furthermore, the Company has paid consultancy fees to Luxembourg Hydro Power S.A., a company related to several Board members, for a total amount of EUR 30,333.33 (2016: EUR 483,012). The consultancy service agreement with Luxembourg Hydro Power SA has been terminated with effect on 31st July 2017.

A loan of EUR 3m, bearing 1.332% interest rate and payable before 21/02/2020 has been granted to Saint Merri Capital Sarl, a company affiliated to the management in FY 2017:

- 1.49m of principal has been reimbursed as of 31/12/2017

- 25,891 Euros were interests receivable on the loan as of 31/12/2017

Note 24 – Financial risks factors

The Group's activities expose it to a variety of financial risks: Market risk (including currency risk, interest rate risk and other price risks) credit risk and liquidity risk.

The Group's overall risk management programme seeks to identify the risks to mitigate them.

All securities investments present a risk of loss of capital. The maximum loss of capital on purchased option, long equity and debt securities is limited to the fair value of those positions. The maximum loss of capital on written put options, long futures and forward currency contracts is limited to the notional contract values of these positions.

The management of these risks is carried out on a weekly basis.

The methods to measure and manage the various types of risk to which it is exposed are weekly reportings, market analysis, company counterpart's reports and financial statements analysis, profit and loss taking policies.

1. Market risk

(a) Other price risks

The Group is exposed to a market risk relating to the fair-value of financial instruments. Where monetary financial instruments are denominated in currencies other than EUR, the price initially expressed in foreign currency and then converted into EUR will also fluctuate because of changes in foreign exchange rates.

The "Foreign exchange risk "paragraph above sets out how this component of market risk is managed and measured.

The Group's policy is to manage price risk through methods mentioned above.

The Group's exposure to price risk is relating mainly to equities and bonds; the total exposure related to securities is as follows:

Financial instruments through profit and loss						
Thousands of Euros	Opening 31.12.2016	Net acquisitions & Disposals	Change in accrued interests	Foreign Currency Translation	Change in fair value (P&L)	Closing 31.12.2017
Level 1	47,922	12,355	2	- 120	- 3,958	56,202
Level 2	1,814	- 272	-	- 30	328	1,840
Total assets	**49,737**	**12,083**	**2**	**- 150**	**- 3,630**	**58,042**
Level 2	- 116	116	-	-	-	-
Total liabilities	**- 116**	**116**	**-**	**-**	**-**	**-**
Net assets & liabilities	**49,621**	**12,199**	**2**	**- 150**	**- 3,630**	**58,042**

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

A quoted market price in an active market provides the most reliable evidence of fair value and is used without adjustment to measure fair value whenever available, with limited exceptions.

Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 2 inputs include:

- quoted prices for similar assets or liabilities in active markets
- quoted prices for identical or similar assets or liabilities in markets that are not active
- inputs other than quoted prices that are observable for the asset or liability, for example
    - interest rates and yield curves observable at commonly quoted intervals
    - implied volatilities
    - credit spreads
- inputs that are derived principally from or corroborated by observable market data by correlation or other means

Financial instruments classified as level 1 are only quoted instruments on active market.

The fair value of financial instruments classified as level 2 is measured on the basis of recent transactions prices.

The effect of a 10% increase in the value of these financial instruments held at the reporting date would, all other variables held constant, have resulted in EUR 5.7m of fair value gain in the net income and net assets.

A 10% decrease in their value would, on the same basis, have decreased the net income and net assets by the same amount.

(b) Foreign exchange risk:

The Group operates internationally and holds both monetary and non-monetary assets denominated in currencies other than EUR, the functional currency. Foreign currency risk arises as the value of future transactions, recognized monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price not foreign currency risk.

Net monetary exposure to currencies is as follows:

- US Dollars (USD) 78%
- Euros (EUR) 17%
- Others 5%

As of 31 December 2017, no hedging has been taken on the asset conversion risk nor on risk of conversion of past or future income.

The turnover is highly sensitive to the EUR/BRL rate due to Rodeio Bonito's operations in the Brazilian local currency.

The following sensitivity analysis, including monetary and non-monetary items is symmetric in the cases of rise and fall of the rates:

		Impact (k€)	
Forex Risk	Variation	**Turnover**	**Comp. income**
EUR/BRL	10%	311	1706
EUR/USD	10%	0	7787
EUR/SGD	10%	0	5
EUR/IDR	10%	0	4
EUR/INR	10%	0	1042

(c) Interest rate risk:

The Group has invested in listed bonds, listed equity funds and listed equities and as such, is exposed to an interest rate risk. An increase in interest rates would have an impact on prices.

The total fair value of these financial instruments as of 31 December 2017 amounts to EUR 57.3m.

2. Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, investment in bonds, as well as outstanding receivables and committed transactions.

The group invests in an extremely diversified array of financial assets including mostly : corporate and government bonds in local and reserve currencies, equities, direct lending and private equity investments.

In 2017, the group main investments have been in corporate bonds again. The exposure has gradually increased from EUR 28.9 m at the beginning of the 2016 year to EUR 46.0 m at 2016 year end and 49.9 m at 2017 year end. The group is mainly exposed to issuers in the BBB and BB categories (as defined by Standard's and Poor). The maturities span a wide range. Although the majority is less than 6 years, some bonds have more than 30 year maturities. A few are of perpetual nature. In 2017 the group invested in majority in USD bonds, from issuers coming both from developed markets and emerging markets. At year end the biggest lines of the Group are with the following issuers : JBS (Brazil), CMA CGM (France), Comcel trust (Guatemala), Olam (Singapore), NORDDEUTSCHE LANDESBANK GIROZENTRALE (Germany), Zurich Insurance (Switzerland), Bluescope Steel (Australia), Israel Electric Corp (Israel), NIPPON LIFE INSURANCE CO (Japan) and the republic of Argentina. These bond investments have performed very well in 2017 at constant exchange rates but the Group has suffered from the US dollar weakening. The Group has invested in bonds since 2008 and has proved a good way to enhance the profits of the Group so far. The Group has only suffered one default (OI/Brazilian telco operators) in its history of bond investments. This default has costed the group EUR 0.3 m. This loss is materially less that the extra gain that the group has derived from investing in bonds compared to staying in cash. The fact that the Group has suffered little from defaults in the past is no predictor that it will not do so in the future. The level of spreads has decreased a lot recently and offers less downside protection than before.

As of December 2017, the Group had also private investments worth EUR 6.8m including private equity (EUR 1.8m) and direct lending (EUR 5.0m). Almost half of Private equity and direct lending investment are in the shipping sector. Given the recent poor performance of this sector these investments have contributed negatively to the performance of the Group in 2016 and 2017. The Group is actively monitoring these investments to try to maximize their value.

As of December 2017, the Group had investments worth EUR 1.5 m in listed equities and EUR 4.8 m in equity funds and hedge funds. The Group believes the current equity markets provide no sufficient reward vs the risks entailed by their level. Were the situation to change, the Group may reinforce significantly its investments in listed equity.

Finally a significant part of the treasury of the Group was kept as of December 2017 in cash or cash equivalents (EUR 37.5m).

3 Liquidity risk

As the Group is mainly funded through equity and has significant cash positions, the liquidity risk is considered not material.

Note 25 – Events subsequent to 31 December 2017

In January 2018, the Quebra Dedo hydropower project (10 MW), which had been stalled for several years because of administrative and environmental issues, has been cancelled by the Brazilian Electricity Regulatory Agency (ANEEL).

In February 2018, Velcan has started a share buyback programme with the purpose of cancelling the purchased shares. All the information on the programme are available on Velcan's website.

APPENDIX 3
Annual Report 2016

VELCAN

ANNUAL REPORT

MANAGEMENT REPORT
AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

VELCAN SA
Société Anonyme with a capital of
€ 7,805,442
RCS Luxembourg, B 145.006
11, avenue Guillaume

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I. MANAGEMENT REPORT

1. Key figures & Executive Summary

VELCAN Group ("VELCAN") is an investment holding company owning mainly power assets and financial investments. Velcan started as an Independent hydro power producer in 2005. The Group develops finances and operates hydro power concessions currently located or planned in India, Brazil and Indonesia. These installations have an individual capacity between 7 MW and 240 MW.

The worldwide group's portfolio amounts to 723 MW of concessions and exclusive rights as of 31 December 2016 in the three aforementioned countries.

VELCAN shares are listed on NYSE Alternext.

Consolidated Financial Data in Million Euros

	2016	2015	Var %
§ Turnover	3.7	3.5	+5%
§ EBITDA	-0.2	2.7	NA
§ Net result	-1.4	4.9	NA
§ Cash & Financial assets	105	101	+4%
§ Market Capitalization	78	94	-17%
§ Cons. Equity	133	130	+2%
§ Net outstanding shares*	6,014	5,976	+1%
Book value per share (in Euros)	22.2	21.8	+1%

* Issued shares less Treasury shares (in Thousands)

		2016	2015
GLOBAL	**Portfolio of concessions and production facilities.** Does not include the various transactions or projects under assessment or technical studies neither post-closing changes.	723 MW	803 MW
BRAZIL	**Hydroelectric plant in operation**	15 MW	15 MW
BRAZIL	**Concessions and Exclusive rights.**	53 MW	71 MW
INDIA	**Concessions under development.**	571 MW	571 MW
INDO	**Pre-concessions under development.**	84 MW	146 MW

2. About the Group

Velcan is a Luxemburg headquartered investment holding company.
Velcan started as an Independent Power Producer in 2005. As of today the company owns one 15MW hydro power plant in Brazil and several other subsidiaries in India and Indonesia, holding more than 700MW of hydropower concessions under development.
Hydropower concessions provide long periods of cash generation but many years are needed to develop these projects in emerging countries and obtain all the necessary authorizations and land permits. Meanwhile Velcan actively manages its treasury, investing in listed financial instruments and private equity deals. As of December 2016, 22% of the assets of the group are deployed in power assets, 77% in financial investments, private equity deals and cash and cash equivalents (bank current accounts and deposits).
Velcan's headquarters are in Luxemburg, with administrative and financial offices in Singapore, Mauritius and Dubai.

Velcan is listed on Euronext Alternext under the ticker ALVEL/ISIN FR0010245803.
Velcan never performed any Public Offer as understood under Directive 2003/71/CE of the European Parliament and Council.

3. Activities, main events, financial position and foreseeable evolution

3.1. Activities and main Events

Power Assets

Comments by key date:

During Fiscal Year 2016, VELCAN continued developing and consolidating its existing concession portfolio and concentrating on a reduced number of projects with satisfactory probabilities of realization. It also continued diversifying its investment portfolio in order to get better yields on its cash and financial securities investments.

In January 2016, VELCAN announced that its 15 MW Rodeio Bonito Hydro Electric plant in Brazil had recorded in 2015 its highest production since the beginning of the concession. Yearly production amounted to 75,806 MWh, corresponding to a plant load factor (PLF) in excess of 57%. 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 was further compounded by good regulatory news.

In February 2016, VELCAN announced that its subsidiary PT Aceh Hydro Power had been granted the Environmental Permit for the Meureubo 2 (59 MW) hydropower project by the Regency of the West Aceh province in Sumatera, Indonesia. This permit was an important step towards the completion of all the necessary procedures for this project in Indonesia. It is a prerequisite for obtaining the Forest Land Use Permit (see subsequent events). VELCAN also announced that VELCAN and PT.PJB (fully-owned subsidiary of National Utility PT-PLN) had amended their consortium agreement in view of submitting the project proposal to PT.PLN (Persero) and negotiating the tariff at which PT.PLN intends to purchase the electricity from the Meureubo 2 Hydropower plant for 30 years. Unfortunately VELCAN announced in April 2016 that the various parties involved in the tender and PPA negotiation of the Meureubo 2 project had not reached an agreement in the current RFP ("Request For Proposal") Process which was launched by PLN on October 22nd, 2015. As per the regulation, this RFP process has now been cancelled and closed. As of date, given the administrative uncertainties, Velcan does not know yet when or if the discussions with PT PLN will resume regarding the restart of the procurement process and PPA negotiation. As such, Velcan has decided to fully impair the project costs capitalized on this project with an impact on 2016 FY.

In March 2016, VELCAN announced that it had started prospection for solar power projects. Solar projects have the advantage over hydropower projects to be much simpler technically. Their development is henceforth much less capital intensive. But the consequence is much more intense competitive landscape and smaller financial margins. At the date of this report it is not possible to evaluate with a good level of certainty if the group will be able to deploy any capital in this field. There are no costs capitalized on those assets as of December 2016.

In March 2016, VELCAN announced that it put on hold the construction of the 7MW SUKARAME power plant in Sumatra, Indonesia. In September last year VELCAN announced that it had started the pre-construction activities of the Sukarame 7MW hydropower plant in Sumatera, after an increased tariff for small power plants (with a capacity under 10MW) was issued by the Ministry of Energy and Mineral Resources under the Government Regulation N°19 dated 29th of June 2015. PLN, the state owned Electricity Company, is the sole authorized buyer in Indonesia and was assigned as per this Regulation to purchase the electricity produced by any small power plant at a fixed, non-negotiable price per kilowatt-hour. As per the Regulation, PLN had 30 days to issue the corresponding “Power Purchase Agreement” (PPA) standard contract. However, as of date, PLN has not proposed such contract. According to the Ministry of Energy, PLN is refusing to comply with this regulation and to buy the power, claiming that the tariff is too high. This situation results in 119 small hydropower projects being stalled. Given the uncertainty of the overall administrative procedure, VELCAN had to put on hold the construction of the Sukarame project and without any visibility regarding the signing of an attractive PPA, Velcan does not know yet when it can resume Sukarame construction. The cost capitalized on Sukarame project had already been fully impaired last year.

In October 2016, VELCAN announced that The Brazilian Regulatory Authority (Aneel) has cancelled the Cabui Project concession attributed in 2014 to VELCAN. To keep the concession active, VELCAN would have had to give a security deposit of USD 1.7m which would have been lost in case the project is eventually not built or is delayed. Given the economic crisis, the recent marked preference of the Brazilian Government preference for Wind and Solar power, the interest rate increases of the government infrastructure bank (BNDES), the highly variable currency and the current uncertainty of demand in the Brazilian energy market, the Group decided not risking such an amount of money. The cost capitalized on Cabui project, including land acquisition, had already been fully impaired in the past years and this cancellation did not had any negative impact on the net result of the Group.

<u>Comments by zone of activity:</u>

In India, the Group continued to develop the hydroelectric concessions obtained in 2007 in the State of Arunachal Pradesh. After the main required authorizations (Technical Clearance or TEC, Environmental Clearance or EC and Forest clearance or FC) and to validate the project’s feasibility and expected levelized tariff have been obtained for both Heo (240 MW) and Tato-1 (186 MW) projects, VELCAN has performed additional drillings and developments as requested by the Central Electrical Authority (CEA) during the year. VELCAN has also made progress on Pauk (145 MW) at a pace commensurate with the technical characteristics of the project. Land status related issued are still slowing down the land acquisition process for the three projects. VELCAN considers that as per the current concession agreement 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 such an extension of the concession are still ongoing with the Government of Arunachal Pradesh.

In Brazil, the Rodeio Bonito Hydropower plant (15 MW) recorded a production of 54,801 MWh in 2016, below 2015 record high but at a decent level. 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. As a consequence, payments by Velcan for the MRE (Energy Reallocation Mechanism) (definition and explanation page 16) were EUR 0.3m in 2016 only vs EUR 1.1m in 2015. The operating and financial performance of the plant in local currency was satisfactory despite a negative FX impact with gross electricity sales reaching EUR 3.7m vs EUR 3.5m in 2015.

In Indonesia, the Group tries to secure its portfolio. As detailed above and given the administrative uncertainties it is impossible for Velcan to make any forecast related to the development planning or the perspectives in this country for all its projects with a good level of confidence. Sukarame (7 MW) is still on hold to date. 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 made progress on Environmental authorizations side but not on the procurement process as detailed above. Redelong (18 MW) has been put on a slow progress mode as long as there is no visibility on the regulation issues and the future of the more advanced projects Sukarame and Meureubo. Bilah (62 MW) has been abandoned in 2016 following the fairly negative technical results received.

At the end of the 2016 fiscal year, the Group owns a concession portfolio of 723 MW (vs 803 MW in 2015), out of which 15 MW are under operation.

3.1.2. Financial Assets, cash and cash equivalents

As it has done since 2005, and very actively since 2008, the group has kept managing its treasury to cover the operational costs and provide financial returns. The group has invested over the years in an extremely diversified array of financial assets including mostly : corporate and government bonds in local and reserve currencies, equities, derivatives, direct lending and private equity investments.

In 2016, the group main investments have been in corporate bonds. The exposure has gradually increased from EUR 28.9 m at the beginning of the year to EUR 46.0 m at year end. The group is mainly exposed to issuers in the BBB and BB categories (as defined by Standard's and Poor). The maturities span a wide range. Although the majority is less than 6 years, some bonds have more than 30 year maturities. A few are of perpetual nature. In 2016 the group invested in majority in USD bonds, from issuers coming both from developed markets and emerging markets. At year end the biggest lines of the Group are with the following issuers : JBS (Brazil), Ethias (Belgium), Atradius (Netherlands/Spain), Eksportfinans (Norway), Olam (Singapore), Zurich Insurance (Switzerland), Bluescope Steel (Australia), Israel Electric Corp (Israel), Areva (France). These bond investments have performed very well in 2016. The Group has invested in bonds since 2008 and has proved a good way to enhance the profits of the Group so far. The Group has only suffered one default (OI/Brazilian telco operators) in its history of bond investments. This default has costed the group EUR 0.3 m. This loss is materially less that the extra gain that the group has derived from investing in bonds compared to staying in cash. The fact that the Group has suffered little from defaults in the past is no predictor that it will not do so in the future. The level of spreads has decreased a lot recently and offers less downside protection than before.

As of December 2016, the Group had also investments worth EUR 2.6m in Private Equity and direct lending. These investments are mostly in the shipping sector. Given the recent poor performance of this sector these investments have contributed negatively to the performance of the Group in 2016. The Group is actively monitoring these investments to try to maximize their value.

As of December 2016, the Group had investments worth EUR 1.9 m in listed equities. The Group believes the current equity markets provide no sufficient reward vs the risks entailed by their level. Were the situation to change, the Group may reinforce significantly its investments in listed equity.

The group has also always taken foreign exchange positions. In the past they have been mostly in Brazilian Real, Norwegian Krone, US Dollars, Japanese Yen and Euros. Although the performance of the investments is less regular than the bonds ones, on average it has been beneficial to the Group. As of December the Group financial assets are mostly exposed in US Dollars.

Finally a significant part of the treasury of the Group was kept as of December 2016 in cash or cash equivalents. Given the current level of interest rates these deposits provide little financial revenues. The Group hopes it will be able to find good investments opportunities in the future to deploy these amounts differently.

3.2. Financial statements:

Income Statement:

Turnover amounted to EUR 3.7m (against EUR 3.5m in 2015), mainly from electricity sales. The turnover in local currency increased by 10% despite a slight reduction in Rodeio Bonito's ensured energy, however the increase in EUR is lower due to the BRL average rate depreciation (-4% on the 2016 EUR/BRL average rate compared to 2015).

Net Financial Income for the group amounted to EUR 5.9m in 2016 driven by the USD appreciation (3.5% compared to end of 2015) impact on the Group's cash and financial assets position (see breakdown per currency note 24) and good financial performance on VELCAN's investments excluding forex (3.3%). This income compares to EUR 6.6m in 2015.

Current operating results amounted to EUR -6.7m down by EUR 2.5m mainly due to provision for impairment. Depreciation and amortization of tangible and intangible assets of Rodeio Bonito plant amounted to EUR 0.8m (EUR 0.8m in 2015).

No significant other operating Income was generated during the year. In 2015, other operating income consisted mainly of capital gain on the sale of Laotian assets and amounted to EUR 3.0m.

The net results was EUR -1.4m in 2016 FY compared to EUR 4.9m in 2015 FY.

The Group's EBITDA (earnings before interests, taxes, depreciation and amortization) reached EUR -0.2m compared to EUR 2.7m in 2015.

The appreciation of BRL and INR rates when compared to Euro, at 2016 closing date, has positively impacted the other comprehensive income as the Group's main investments (tangible and intangible) have been done in local currency (EUR +3.8m in 2016 against EUR -2.0m in 2015). The total comprehensive income amounts to EUR 2.5m in 2016 against EUR 2.9m in 2015.

Balance sheet:

Net intangible assets are down by EUR 3m mainly due to impairment of Indonesian projects amounting to EUR 5.6m, net of capitalization of development expenses on projects under development amounting to EUR 2.0m. Tangible assets increased by EUR 2m between 2015 and 2016 (see note 1 & 2 of the appendix on consolidated financial statements), mainly because the Rodeio Bonito Hydro power Plant being booked in BRL currency, foreign exchange impact on retranslation of the Rodeio Bonito powerplant resulted in a EUR 2.7 gain (EUR -3.5 m for 2015 FY).

Cash, cash equivalent assets and financial assets have increased from EUR 101m in 2015 to EUR 105m in 2016 (+4%).

Finally total assets increased by 2.1% during 2016 FY (up by EUR 2.8 m).

Net current and non-current financial liabilities have remained stable.

Own shares, booked directly against Equity of the Group at their historical cost, reduce the net shareholder's equity of the Group by EUR -15.2m versus EUR -15.5m at 31st December 2015.

As at 31st December 2016, unrealized losses on conversion reserves, booked directly against Equity amounted to EUR -4.3m versus an unrealized loss of EUR -8.2m at 31st December, mainly because of the BRL appreciation (see above comment on 2016 comprehensive income).

With a consolidated equity of EUR 133.3m (+EUR 2.8m compared to 2015), the Group still has no significant debt as of 31st December 2016. Various provisions, payables and financial instrument liabilities amount to EUR 2.8m.

3.3. Foreseeable evolution of the Group:

After the closing of this financial year, the Group is pursuing the following objectives as a priority for FY 2017:

- Clearing the administrative situation in Indonesia and finalizing the development of the Indian projects
- Continue the diversification of its investments

4. Detailed evolution of the business

This year has been devoted to the continuation of techno-economic studies and administrative development of concessions and rights obtained, to the search for new investment opportunities that would grow the Group's cash position and to the continuation of the rationalization of the cost structure.

Summary of concessions as of 31 December 2016

Project Name	Country	State	Size (MW)	Ownership (%)	Remaining years of concession
PCH Rodeio Bonito	Brazil	Santa Catarina	15	100%	18
PCH Quebra Dedo	Brazil	Minas Gerais	10	100%	15
PCH Pirapetinga	Brazil	Minas Gerais	23	100%	15
PCH Ibituruna	Brazil	Minas Gerais	20	100%	15
Subtotal Brazil			***68***		
Sukarame	Indonesia	Lampung Barat	7	92%	20
Meurebo 2	Indonesia	Aceh	59	95%*	30
Redelong	Indonesia	Aceh	18	80%	30
Subtotal Indonesia			***84***		
Yarjep / Heo	India	Arunachal Pradesh	240	100%**	40
Yarjep / Pauk	India	Arunachal Pradesh	145	100%**	40
Yarjep / Tato I	India	Arunachal Pradesh	186	100%**	40
Subtotal India			***571***		
TOTAL			**723**		

This chart contains prospective data related to the potential of ongoing projects or projects of which the development is under progress. This information represents objectives related to projects and should not be interpreted as direct or indirect profit forecasts. The realization of these objectives depends on future circumstances and could be affected and/or delayed by known or unknown risks, uncertainty and various factors of all kind, especially linked to the economic, commercial or regulatory context, and that, in case of occurrence, could have a negative impact on the activity and the future performances of the Group.

* *Meureubo 2: The Group currently owns 95% but its share will fall to 70% after the joint venture with its partner, PT PJB, is finalized.*

** *Indian Projects: the negotiations for the update and amendment of the concession agreements with latest installed capacities and project implementation timeframe are going on.*

Indian hydroelectric projects development

In India, the Group pursued the development of projects obtained in 2007, a cascade of three projects, the capacity of which was increased to 571 MW in 2013 after approval by the central authorities.

Tato 1 HEP (186 MW) and Heo HEP (240 MW):

Following the successful public hearings held between August and November 2013, the Group was able to complete the final EIA (Environment Impact Assessment) and EMP (Environment management Plan) studies, notably for the purpose of including the opinions expressed during the public audience. The final studies have been submitted to the *Ministry of Environment and Forests (MOEF)* in New Delhi in order to get the *Final Environmental Clearance* of those projects in 2014. Besides, as a part of the procedure required for obtaining authorization to use State-owned forest land - called “Forest Clearance” - , the Forest Advisory Committee (FAC) - an independent body of experts – was convened in April and in July 2014, under the aegis of the Ministry of Environment and Forests (MOEF), New Delhi. No project-related issue was raised by the FAC, which only requested that the State Government comply with the procedure under the Forest Rights Act. Such a procedure was undertaken in collaboration with the State Government and in November 2014 all seven concerned village Councils ruled in favor of the Projects. Finally, on 8th April 2015, the Group announced that the Indian Ministry of Environment, Forests and Climate Change had approved the Environmental Clearance for the Heo (240MW), the Tato-I (186MW) Hydro Electrical Projects. As announced in December 2015, those Environmental Clearances have been finally and officially issued after the issuance of the Forest Clearance in October 2015 (Stage-1 clearance for the diversion of forest land). Those clearances show the high quality of those run of the river projects having a low environmental impact.

Furthermore, in July 2015 and November 2015, VELCAN has announced having obtained, respectively, the Techno-Economic Clearances (TEC) for Heo and Tato-1, which were being scrutinized and appraised since July 2013 and May 2013 respectively by relevant Central Government authorities, mainly under the responsibility of the *Geological Survey if India* (GSI), the *Central Water Commission* (CWC) and the *Central Electricity Authority* (CEA). These approvals were obtained without encountering major design changes, showing the quality of the studies conducted over the 5 years preceding the submission of the Detailed Project Report (DPR) to the CEA.

Cumulating the Techno-Economic clearance, Environment Clearance and Forest Clearance Stage-1 puts the 426 MW Heo-Tato 1 tandem amongst the most advanced private greenfield hydro projects above 100 MW in the Indian Himalayas. During the year 2016 the Company has undertaken the additional post TEC investigations which are required by Central Electricity Authority, especially additional drilling. The Company has also undertaken the detailed tender level topographical survey of a major project components and access road.

The land acquisition is to be conducted by the State government but the land status related issues will remain one of the major challenge as it slows down the land acquisition process. Subsequently the land is to be leased by the government to the developer as per the concession contract. The Central Government has also initiated a reform to facilitate the land acquisition procedure.

In June 2016, the Group has submitted applications to Deputy Commissioner of the West Siang District, Arunachal Pradesh in order to initiate the acquisition of the land required for Tato 1 and Heo HEPs. A Notification has been issued by Commissioner, Land Management, GoAP in February 2017 appointing the Rajiv Gandhi University, Itanagar, Arunachal Pradesh as Social Impact Assessment unit. Appointment of the Social Impact Assessment team along with establishment of of Terms of Reference with RG University are under progress with DC, Aalo.

These two projects (Heo and Tato-1) have a combined implementation budget of USD 480m, a construction period of 50 months after Financial Close and will sell an aggregate 1,552 million kWh. The levelized tariffs are 3.80 rupees (price level of 2020 as per CEA methodology) per kWh for Heo and 4.40 rupees (idem) per kWh for Tato-1. The estimated annual average turnover will be USD 97m and the average EBITDA USD 81m during the first 10 years of operations, at current exchange rates. This estimate is the net amount received by the hydro power plants. In the Indian market transmission costs are borne separately by the purchasers and paid to Power Grid Corporation of India (PGCIL), the national transmission utility or any other entity operating the concerned transmission infrastructure. Once built, Tato-1 and Heo concessions are expected to generate 1,802 GWH per year based on Design Energy, equivalent to the consumption of 2.63 million people in India[1].

Pauk HEP (145MW):

The third project, Pauk, totaling 145 MW, is more complex and requires additional studies and further investigations prior to the complete DPR submission. However, in accordance with new CEA procedures the preliminary report containing major design and project features has been submitted to CEA in October 2014. The ensuing consultation meeting was held in presence of all concerned departments. The India team is still working on the observations received from various Directorates in order to submit the final DPR.

With regard to the Environment Clearance and Forest clearance procedures, the Pauk HEP has however followed the same process as Heo and Tato-1 HEP and has officially obtained both the FC (or Stage-1 clearance for the diversion of forest land) and the EC in October 2015 and December 2015 respectively.

General comments on Indian projects:

The concession agreement for these three projects provides for an extension of the development phase for any delay that is not imputable to the developer. Such extension is under discussion. Apart from the land acquisition process, a major step for the projects will be to secure long term PPA and non-recourse project finance.

Brazilian hydroelectric projects operation/development

At the end of 2016, the company owns projects totalling 68 MW in Brazil. It is composed of 15 MW under operation (Rodeio Bonito) and 53 MW of exclusive concessions and rights versus 71 MW in 2015 after the removal of Cabui, 18 MW.

[1] Based on average per capita consumption of 684 Kwh in 2011 (source : World Bank)

Rodeio Bonito (15 MW):

The operating and financial performance of the plant in local currency was satisfactory given the situation in Brazil and Rodeio Bonito Hydropower plant (15 MW). The production (54,801 MW) was much lower than in 2015 (75,655 MWh, ie a plant load factor or PLF of 57%, the plant's record high), due to low precipitation levels in Brazil in 2016. However, the plant financial performance has not been impacted due to the improvement in the regulatory environment that occurred in 2015 after several bad news in 2013 and 2014. Resolução nº 03 du 06/03/2013, following the severe drought of 2012, had provided that all agents of the electricity market and members of the MRE (Energy Reallocation Mechanism) should contribute to the incremental cost of thermo-electrical generation. Conversely, overproduction by a specific facility and/or the hydroelectric sector in aggregate would increase the turnover of the Hydro Power Plant (HPP). A judicial development which happened in 2015 may changes the rule in Brazil. A number of Independent Power Producer (IPP) contested the way used by the regulated authorities to calculate the extra charges of the MRE. They have won a first interim judgement in June 2015 and cannot therefore be invoiced these MRE extra charges. The Regulator has since then tried to invoice to the rest of the system (including Velcan Energy) those extra charges not being supported anymore by the above mentioned. VELCAN has challenged this decision in court and have won an interim order. At the time this report is being written, Velcan has now won a favorable decision in the first court degree. The regulated authorities may appeal this decision. However it may still take years for a full judgement to be given. Since then, the MRE has not been allowed to invoice more than 5% of the Ensured Energy mechanism[2]. As a matter of fact, in 2016, payments by Velcan for the MRE were significantly lower than in 2015 (BRL 1.0m only compared to BRL 4.1m in 2015). Overall, consumed purchases, which include to a great extent payment for the MRE, actually impacted the annual operational result by EUR 0.3m in 2016 vs EUR 1.1m in 2015.

Another favorable development occurred in late 2016. Article 24 of the law 13.360 of November 17th, 2016 should remove the risk of the Rodeio Bonito concession being temporarily excluded from the MRE system because of insufficient historical production.

The EBITDA (earnings before interests, taxes and amortization) of the plant amounted to BRL 11m against BRL 6.8m in 2015 and BRL 8.5m in 2014. When converted in EUR, the EBITDA was up to EUR 2.9m vs 1.8m in 2015, mostly due to the lower MRE payments (BRL -3.1 m, -76%), the higher turnover (BRL +1.3m, +9.79%) and despite the lower average rate of the Brazilian currency against the Euro currency (-4.3% on average compared to 2014).

Cabui (18 MW)

The Brazilian Regulatory Authority (Aneel) has cancelled the Cabui Project concession attributed in 2014 to VELCAN. To keep the concession active, VELCAN would have had to give a security deposit of USD 1.7m which

[2] In Brazil, « guaranteed energy » or « ensured energy » means the annually marketable energy as approved by MME – Ministério de Minas e Energia (Department of Mines and Energy) and guaranteed through the Brazilian power system for power plants opting for the MRE (Energy reallocation Mechanism), mechanism functioning at national scale, even if the production is impacted by a bad hydrology some years. This is the case of Rodeio Bonito. This mechanism covers the hydrological risk in case some Brazilian areas are experiencing drought, whereas other areas are experiencing heavy rains. However this mechanism does not cover the risk of a lasting national drought across Brazil. In that case, the Rodeio Bonito plant revenues could collapse drastically. The turnover corresponding to this part of guaranteed energy is ensured through mid-term fixed inflation-linked contracts, even in case of low actual production below that level for hydrological reasons. However, in the case of extremely low historical production, it could lead to a downward revision of the ensured energy or it could even lead to a temporary exclusion of the system, although the risk has now mitigated as written above. The recent legal development (see above) indicate that it should now be much more difficult for Rodeio Bonito to be excluded from MRE.

would have been lost in case the project is eventually not built or is delayed. The current economic crisis, the recent marked preference of the Brazilian Government preference for Wind and Solar power, the interest rate increases of the government infrastructure bank (BNDES) and the highly variable currency contribute to a difficult planning environment. Given of the above and the current uncertainty of demand in the Brazilian energy market, VELCAN does not think it was worth risking such an amount of money. The cost capitalized on Cabui project, including land acquisition, had already been fully impaired in the past years and this cancellation had no negative impact on the net result of the Group.

Pirapetinga (23 MW), Ibituruna (20 MW), and Quebra Dedo (10 MW):

The Group has not noted so far any significant progress on the administrative procedures required to achieve the development of the 3 on-going Brazilian projects of its portfolio. Each of them is facing different administrative and social barriers and/or fierce competition. Thus, the development of these uneconomical projects has been adjourned too. Development costs on those projects have already been entirely provisioned in the Group's balance sheet.

Indonesia hydroelectric projects construction/development

Continuing efforts since 2011 have enabled the group to reach the construction stage for one project, Sukarame (7 MW) and different development stages for several projects totalling 84 MW in 2016 (vs 146 MW in 2016) after Bilah (62 MW) has been removed from the portfolio. Other projects, among which Jambuaye (40 to 50 MW approximately) are unaccounted for in this portfolio as they have not yet reached a sufficiently advanced stage. As announced in 2013, the Group considers that it has finished its prospection phase in Indonesia and now concentrates on the development of its projects. However given current administrative uncertainties, the Group is not able to provide any forecast and all Indonesian projects have been impaired.

Sukarame (7 MW):

In September 2015, VELCAN announced the beginning of the construction of Sukarame (7 MW). Pre-construction activities were ongoing and the second part of the construction was to start in 2016 after the Power Purchase Agreement (PPA) had been signed and the main contractors had been selected. Velcan has been developing Sukarame since 2011 and acquired the necessary land in 2013. The development was slowed since then, until the price of electricity offered was enough to provide a satisfying Return On Equity (ROE). The Government of Indonesia had significantly increased the tariff for plants with a capacity smaller than 10 MW. In the case of Sukarame, and as per Ministry of Energy and Mineral Resources (ESDM) Regulation No. 19 of 2015 dated 29 June 2015, electricity should be sold to PT-PLN, the National Utility at a price of 13.2 USD cents per KW/H for eight years and at 8.25 USD cents per KW/H for 12 years. Furthermore, PT-PLN should bear the exchange rate risk against the USD. Construction of the hydropower plant was scheduled to take two years. The standard US Dollar-linked PPA with PT-PLN was to be signed as soon as possible to start the construction, however, it has never been issued by PT PLN. The PPA should have a duration of 20 years. Under Velcan's forecasts, at those levels, Sukarame would generate EBITDA of approximately USD 4m per annum for eight years and USD 2.5m for twelve years thereafter. After a ground-breaking ceremony was organized in October 2015 with national and local dignitaries as well as community leaders and citizens and tenders have been finalized in early 2016, the Group has announced on March 2016 that it was putting on hold the construction of the Sukarame power plant following the lack of progress from the Indonesian off-taker, PT PLN, and its failure to comply with the Government Regulation N°19 dated 29th of June 2015 and to issue the new Power Purchase Agreement contract (PPA) with the new feed-in-tariff. To be on the safe side, and despite the fact that the economic value of the project, using new tariff assumptions comfortably exceeds the gross historical development costs, the management has provided a full impairment on this project in 2015. All costs capitalized in 2016 on this project have also been impaired during 2016 FY. VELCAN does not know what will be the outcome now as there are no administrative progress to date.

Meureubo 2 (59 MW):

Meurebo 2 project, is being developed through a consortium with PJB, an Indonesian State company wholly-owned by the national utility PT PLN, VELCAN is leading the consortium with a future share of 70% (against 95% currently). After a due diligence conducted in December 2014, PT Aceh Hydropower, the Indonesian local company owned by the Group and developing the Meureubo 2 project (59 MW) was successfully appointed in January 2015 by the national utility PT PLN as the sole bidder for the implementation of this project and sale of electricity from such project, thus securing the concession rights. Environmental authorizations have been cleared in 2016 and early 2017 (Forest Land Use Permit). Moreover, this project is well-placed in the Indonesian Government's 35 GW expansion plan (2015-2024) presented by PLN. However, additional delays are expected as no agreement has been found to date with PLN on the procurement and PPA negotiation timing as announced in April 2016. To be on the safe side, development costs capitalized on previous years have been fully impaired in 2016 with a significant negative impact on 2016 net income.

Redelong (18 MW):

In parallel, the Group is developing various projects at different stages of development, among which Redelong, for the most advanced. The geological investigations have been carried out and finalized in 2015 and the feasibility studies have been finalized in 2016 showing the techno-economic viability of the project. The project has been officially presented to PLN which showed interest in it and the final design has been established in accordance with PT PLN requirements. A due diligence should now be conducted by PLN for appointment of VELCAN as the sole bidder for the implementation of this project and sale of electricity from such project, which would secure the concession rights and leads to the Tariff and PPA negotiations. Besides, the local Government is very supportive toward this project and helped setting the land acquisition committee which should facilitate the land acquisition process. However, given the general context for hydropower projects in Indonesia and the administrative uncertainties regarding all VELCAN projects there, the project has been fully impaired in 2016 with an impact on 2016 operational result.

Jambuaye (40-50 MW):

Jambuaye, project is not accounted in the Group’s portfolio as its development did not reach a sufficient level of feasibility and rights securing so far, still have a high level of uncertainty and are therefore fully provisioned in the books.

Bilah (62 MW):

As mentioned in the section above, Bilah techno-economic viability being not demonstrated by the feasibility studies, VELCAN has not asked for the renewal of this concession. The project was already fully impaired and it had no impact on 2016 results. The project has been removed from VELCAN’s portfolio in 2016 which negatively impacted the size of the portfolio by 62 MW.

5. Risk factors and uncertainties

Specific risks of hydroelectric plants and projects.

All risks from the Group's activities are described in the disclosure document available on the company's website since its transfer to NYSE - Alternext. Investors are invited to refer to this document for a complete discussion. As a reminder, the most characteristic risks of the Group are reviewed below.

Hydroelectric project development risks:

During the development phase, projects are exposed to a significant risk of delay or failure in obtaining environmental and administrative permits or in the progress or outcome of field investigations and studies. Obtaining administrative authorizations depends on many factors, among which changes in the authorities' requirements during the development phase, which is unpredictable and may require a modification of techno-economic characteristics of the project. Consequently, a change in the project may cause the invalidation other approvals previously obtained. In some countries, lack of coordination between different authorities, most of the times independent of each other and possibly the conflicting objectives that they pursue can make the administrative approval process difficult and unstable. With regard to investigations and studies, risks arise from consultants or suppliers directly in charge of studies or field investigation, who may face operational issues such as difficulties accessing sites or harsh conditions on sites. Generally, the complexity and the number of technical parameters linked to the field (such as topography, geology, hydrology, etc…) involve a significant risk of error in studies and require a substantial verification. In the same manner, land occupation factors (capacity to acquire the land impacted by the project), social and environmental factors (difficulties with population possibly impacted by these projects or idiosyncratic fauna and flora) can lead, during the development period, to the modification or the shelving of a project. Finally, the detailed studies and/or the administrative issues raised during the development phase may lead to the conclusion that a concession granted or in course of study is not viable.

During the construction phase, technical factors such as an unanticipated composition of soil preventing digging the diversion canal as originally planned, especially with regards to geology can delay or impede the commissioning of a project. Furthermore, in some cases, such delays may entail financial penalties by the licensing authority to be borne by the developer, and, in extreme cases, in the cancellation of the concession.

During all these steps, the risk of slowing down or blocking of the project concerned still exists. Slowing or stopping a project generates additional costs which can be significant or lead to an outright impairment of investments.

In order to ensure the highest possible reliability of critical technical studies (hydrology, geology, topography, etc...) and to minimize the risk of errors, the Group internalizes core competencies from internationally- and nationally-renowned experts who control workings delivered by external service providers. It tries its best to employ the most qualified external service providers available. When market conditions make it possible, the group negotiates contractual clauses under which providers are financially penalized in case of delays to perform their services. The Group also seeks to maintain good relationships with the licensing authorities in order to resolve any difficulties that may occur.

During commissioning, the main risk lies in a real average flow of water being less important than anticipated, for example, because of erratic rainfall or rain forecasts are significantly different from hydrological studies conducted during development phase of the project, reducing the generation of electricity whereas the investment has already been made.

Risks associated to emerging countries

The international expansion strategy of the Group focuses on concession development projects in Brazil, India, and Indonesia. Similarly, as noted above, the Group plans to expand in other emerging markets. Therefore, it is exposed to social, economic and political problems linked to emerging markets.

Thus, the markets currently targeted by the Group or in which it could develop in the future may be characterized by the following risks:

- difficulties or delays in obtaining required permits and authorizations;
- faulty infrastructure that could affect the construction of the hydropower plant or the transmission and distribution of electricity;
- difficulties in recruitment and management of employees needed in these countries;
- difficulties in hiring consultants and suppliers required;
- political, social or economic instability, terrorism or war;
- difficulties in ensuring the respect of the Group rights;
- governmental interventions;
- cultural differences may restrict the Group's ability to face local competitors and international companies that are more experienced in emerging markets;
- risk of exchange rate due to the assets and liabilities booked in local currency;
- legal constraints and / or tax constraints for repatriating profits generated in other countries;
- delays in getting paid and difficulties to be paid back;
- risk that the accounting, audit and financial information standards do not always comply with IFRS norms and that they are not equivalent to those applicable in most developed markets;
- risk that the financial markets close to these countries. In which case financing our concessions would become very difficult until these markets reopen.
- risk of having difficulties in repatriating money from these markets. In case of financial turmoil, capital controls may be instated that would block or limit the repatriation of cash. It is to be noted that these constraints, which had not implemented for many years are now in place in several countries, both in developed and emerging markets (Iceland, Cyprus, Greece, Ukraine, Ghana, and Nigeria). The stigma associated with the imposition of such controls is hence now much lower.

Emerging markets are more fluid and generally subject to greater volatility than more developed markets. The growth of markets such as India, Brazil, and Indonesia can slow down. Although India’s growth rate is currently one of the highest in the world, Brazil is in a deep protracted recession and Indonesia is growing slower than before. The Group's success in these countries depends partly on its ability to adapt to their quick economic, cultural, social, legal and political changes. If the Group is unable to manage the risks associated with its expansion in emerging markets, its business, its financial health and its revenues could be significantly affected.

Environmental risks

Finally hydropower’s Environmental risk (e.g. flood caused by a dam breaking or the impact of the reservoir on the fauna and flora) is generally not covered by insurance companies, whether it is related to an engineering error, to a defect or to an operational error.

Country risks – currency conversion risk

As of 31 December 2016, the Group's balance sheet is mainly exposed to the following currency (please refer to note 24 of the appendix on consolidated financial statements for more details):

- Euros (EUR)
- US Dollars (USD)
- Singapore Dollars (SGD)
- Brazilian Reals (BRL)
- Indian Rupee (INR)

The Group's balance sheet is also significantly exposed to Indian Rupee and Brazilian Real because of the significant investments made there for HEO, PAUK, TATO-1 and RODEIO BONITO concessions (Tangible and intangible assets) and because of the electricity sales in Brazilian Real of RODEIO BONITO (Yearly turnover).

As of 31 December 2016 no hedging has been taken on the Property risk nor on risk of conversion of past or future income.

Interest Rate Risk

VELCAN's available cash is mainly invested in money market funds, deposit certificates, private and sovereign bonds and forward forex in Euro, Dollar and in other currencies of emerging countries where the group is present. The financial result is thus sensitive to interest rate variation.

Use of financial instruments for hedging

No particular financial instruments are used for price, credit or liquidity risk hedging.

6. Sustainable development and Corporate Social Responsibilities

The Group focuses on generation of electricity from hydroelectricity, which is a **conventional** and **renewable** source of energy and which prevents the release of greenhouse gases into the atmosphere as opposed to electricity generation from fossil fuels. As a result of this "avoidance effect", the facilities developed by the Group are, or may be given, the approval for generation of carbon credits by the United Nations. As of today, the Group concentrates mainly on small and medium scale "run-of-river", hydroelectric plants that have the same features as the Rodeio Bonito project, thus aiming at the optimal amount of energy production with the smallest possible environmental footprint. So far Rodeio Bonito Power Plant has produced approximately 345 GW/h of clean and green energy.

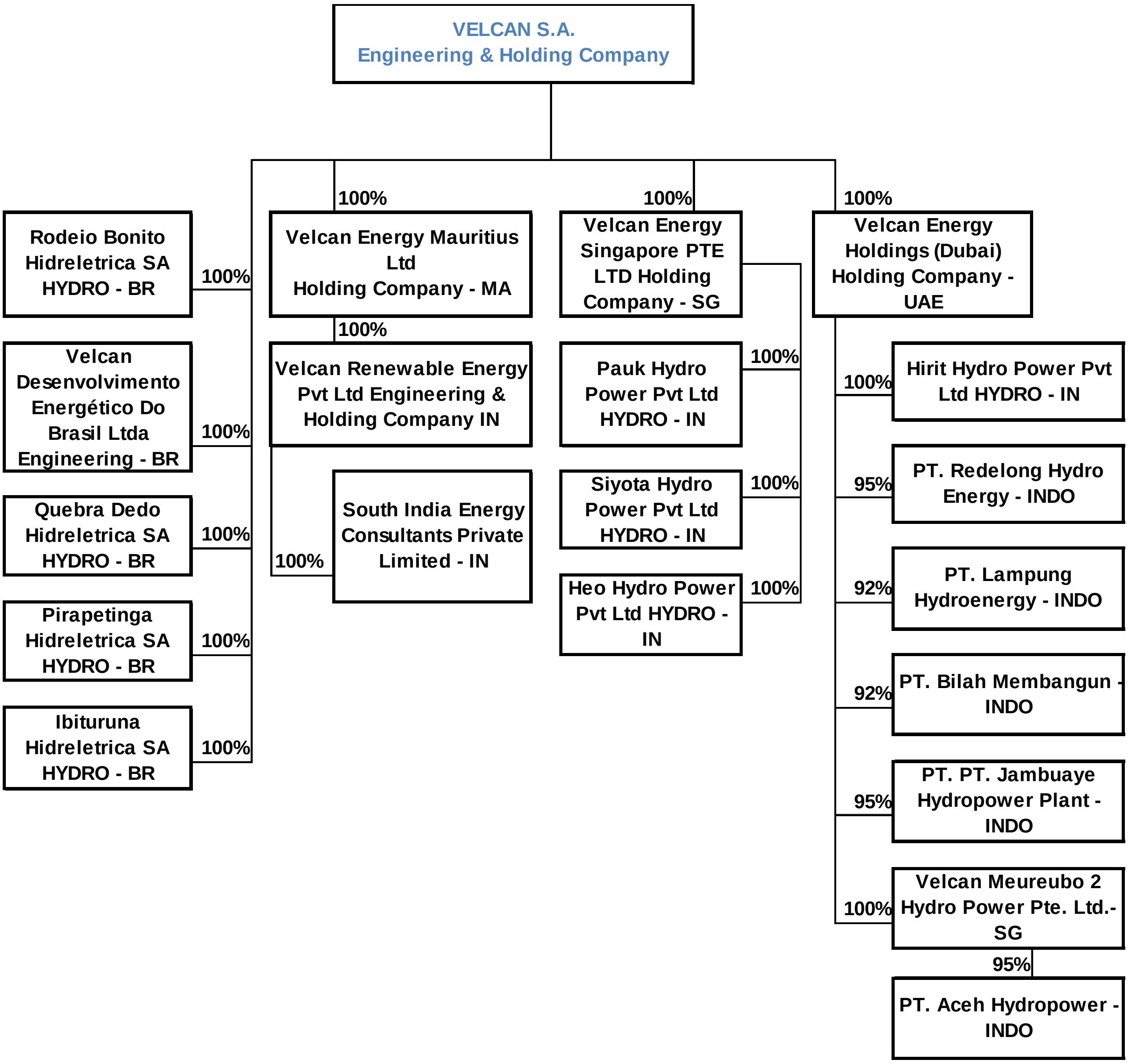
The Group also participated in the financing of the Bagepalli project located in the state of Karnataka, which entailed the construction of 5,481 methane biogas generation units for domestic use. These units enable the production of methane for domestic use (cooking) and are currently in operation. The project enables families to substitute kerosene in cooking, minimize grievous domestic accidents from burns and reduce deforestation. Uncontrolled deforestation results in the desertification of developing countries and kerosene use can lead to serious respiratory illnesses. This project is implemented by an Indian NGO, ADATS. Since July 2009, this installation is listed under the "Gold Standard" label, which is a label identifying CDM projects known for their excellence from a sustainable growth point of view (it generates « premium quality CERs », for more information, see www.cdmgoldstandard.org).The construction of all these units was completed in 2008. These units are now operating and generate 17.000 CERs annually. The contract has been terminated in late 2016.

The Group regularly undertakes actions in corporate social responsibility activities in India for the benefit of local populations in the area where its three hydroelectric projects of the Yarjep River are located. For instance, in 2016, the Group made financial contributions to various social and cultural events which matter to local people such as festivals and sport tournaments. Likewise, the Group has been financing for the sustainability of small local infrastructure such as suspension bridges and access ways to the village. Donations with medical purpose have also been granted. It also undertakes actions in corporate social responsibility in Indonesia, Sumatra in favor of the local population.

7. Research and development

Apart from the development of the hydroelectric power projects, the Group has not undertaken significant research and development activity.

8. Organization Chart



As of 31 December 2016, Velcan SA, the parent company of the group, which is based in Luxembourg, controls 20 companies, direct or indirect subsidiaries, located in seven countries: India, Brazil, the United Arab Emirates, Luxembourg, Mauritius, Singapore and Indonesia, different by their function and the geographical area where they operate.

II. CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

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

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Shareholders, we have audited the accompanying annual accounts of VELCAN, we have audited the accompanying consolidated financial statements of VELCAN, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit and loss and of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory Information.

Responsibility of the Board of directors for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements 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 consolidated financial statements 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the réviseur d'entreprises agréé's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, 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 consolidated financial statements 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 consolidated financial statements.

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 consolidated financial statements give a true and fair view of the consolidated financial position of VELCAN as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Other information

The Board of directors is responsible for the other information. The other information comprises the information included in the consolidated management report but does not include the consolidated financial statements and our report of *réviseur d'entreprises agréé* thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Report on other legal and regulatory requirements

The consolidated management report, is consistent with the consolidated financial statements and has been prepared in accordance with the applicable legal requirements

Luxembourg, 27 April 2017

BDO Audit
Cabinet de révision agréé
represented by

Daniel Hilbert

2. Consolidated statement of financial position (assets)

(in thousands of Euros)

Assets	Note	31.12.2016	31.12.2015
Non current assets			
Intangible assets	1	16,551	19,572
Tangible assets	2	12,893	10,887
Non current financial assets	3	2,506	2,840
Deferred tax assets	4	339	558
Total non-current assets		**32,289**	**33,857**
Current assets			
Current financial assets	3	48,190	38,485
Inventories		17	12
Trade and other receivables	5	365	247
Income tax receivables		112	96
Other current assets	6	675	535
Cash and cash equivalents	7	54,449	60,056
Total current assets		**103,808**	**99,430**
Total assets		**136,098**	**133,287**

3. Consolidated statement of financial position (Liabilities)

(in thousands of Euros)

Liabilities	Note	31.12.2016	31.12.2015
Equity			
Issued capital	8	7,805	7,797
Additional paid in capital	8	139,780	139,708
Other reserves and conversion reserves	8	(13,020)	(22,007)
Net income for the year		(1,265)	4,936
Equity attributable to the equity holders of the parent		**133,301**	**130,435**
Non-controlling interests		(35)	58
Total Equity		**133,266**	**130,493**
Non current liabilities			
Non-current financial liabilities	9	0	31
Non current provisions	10	894	886
Other non current liabilities	11	989	980
Total non-current liabilities		**1,883**	**1,897**
Current liabilities			
Current financial liabilities	9	116	60
Current provisions	10	6	21
Trade and other payables	12	778	711
Income tax payables		39	97
Other current liabilities	13	9	9
Total Current Liabilities		**948**	**898**
Total Liabilities		**136,098**	**133,287**

4. Consolidated statement of profit and loss and of comprehensive income

(in thousands of Euros)

Statement of Profit & Loss	Note	31.12.2016	31.12.2015
Operating revenues	14	3,650	3,469
Other operating revenues	14	61	1
Total operating revenues		**3,711**	**3,470**
Purchases	15	(266)	(1,126)
External expenses	16	(2,138)	(1,466)
Payroll expenses	17	(1,535)	(1,185)
Operating tax expenses		(15)	(29)
Depreciation, Amortization & Provisions	18	(6,425)	(3,828)
Current operating result	14	**(6,668)**	**(4,165)**
Other operating income	19	13	2,990
Other operating expenses	19	-	-
Operating result		**(6,655)**	**(1,175)**
Financial Income	20	6,590	8,376
Financial expenses	20	(727)	(1,757)
Financial Result		**5,863**	**6,619**
Income tax expense (-) / benefit (+)	4	(566)	(556)
Net result from continuing operations		**(1,358)**	**4,888**
Net result, group share		**(1,265)**	**4,936**
Net result, shares of non-controlling interests		**(93)**	**(48)**
Earnings per share (in Euros)	21	(0.21)	0.83
Diluted earnings per share (in Euros)	21	(0.21)	0.79

Statement of total comprehensive Income	Note	31.12.2016	31.12.2015
Net income		(1,358)	4,888
Other comprehensive income, that will not be reclassified subsequently to profit or loss	8	3,842	(2,023)
Total Comprehensive Income		**2,484**	**2,864**
thereof attributable to non-controlling interests		93	55
Group Total Comprehensive income		**2,577**	**2,919**

5. Consolidated cash flow statements

(in thousands of Euros)

Cash Flows	Note	31.12.2016	31.12.2015
Net consolidated profit		**(1,358)**	**4,888**
Adjustments for:			
Amortization and depreciation	18	6,425	3,828
Impairment, provision and write back		(9)	(10)
Income/loss from disposals of fixed assets		2	(2,867)
Expenses for share based payments		209	268
Interest and dividends Income	20	(2,372)	(2,564)
Change in deferred tax	4	219	224
Current Income tax expense (benefit)	4	347	333
Net change in fair value of financial instruments	20	(1,466)	(1,555)
Interests received		1,982	2,747
Dividends received		36	95.5
Current Income tax paid		(415)	(430)
Other financial income and expense	20	(2,025)	(2,501)
Variation of operating working capital		(148)	105
Cash flows from operating activities		**1,427**	**2,563**
Purchase / sale of affiliates		0	-
Acquisition of tangible and intangible assets	1-2	(2,039)	(3,569)
Disposal of tangible and intangible assets	1-2	9	6,323
Acquisition/Disposal of financial instruments	3	(6,741)	10,272
Change in loans and advances granted		(728)	28
Other financial income and expense	20	2,025	2,501
Cash flows from investment operations		**(7,473)**	**15,554**
Capital increase		80	64
Net acquisition of own shares	8	(0)	(251)
Cash flows from financing operations		**80**	**(187)**
Net foreign currency translation differences		**359**	**646**
Net cash flow variation		**(5,607)**	**18,576**
Net opening cash		60,056	41,480
Net closing cash		54,449	60,056

6. Statement of changes in equity

In thousands of euros	Capital	Additional paid in capital	Own Shares	Foreign currency translation reserves	Reserves & consolid. net income	Total Group interest	Minority interests	Total Equity
Situation at 01.01.2015	**7,791**	**139,651**	**(15,223)**	**(6,166)**	**1,374**	**127,427**	**100**	**127,527**
Net income	-	-	-	-	4,936	**4 936**	(48)	4,888
Other comprehensive income	-	-	-	(2,017)	-	**(2 017)**	(6)	(2,023)
Total comprehensive income	-	-	-	(2,017)	4,936	**2 919**	(55)	2,864
Stock-Options exercised	7	58	-	-	-	**64**	-	64
Share based payments	-	-	-	-	268	**268**	-	268
Own Shares acquisition (-) /Sale (+)	-	-	(251)	-	-	**(251)**	-	(251)
Share capital increases subscribed by noncontrolling interests	-	-	-	-	-	**-**	8	8
Other	0	-	0	-	7	**7**	4	11
Situation at 31.12.2015	**7,797**	**139,708**	**(15,473)**	**(8,183)**	**6,585**	**130,435**	**58**	**130,493**
Situation at 01.01.2016	**7,797**	**139,708**	**(15,473)**	**(8,183)**	**6,585**	**130,435**	**58**	**130,493**
Net income	-	-	-	-	(1,265)	**(1,265)**	(93)	(1,358)
Other comprehensive income	-	-	-	3,842	-	**3,842**	0	3,842
Total comprehensive income	-	-	-	3,842	(1,265)	**2,577**	(93)	2,484
Stock-Options exercised	8	72	-	-	-	**80**	-	80
Share based payments	-	-	-	-	209	**209**	-	209
Settlement in own share of share based payments	-	-	253	-	(253)	**(0)**	-	(0)
Situation at 31.12.2016	**7,805**	**139,780**	**(15,221)**	**(4,341)**	**5,276**	**133,301**	**(35)**	**133,266**

7. Appendix on the consolidated financial statements

7.1. Accounting policies and valuation methods

7.1.1. General

Velcan S.A. (hereafter, the "Company "and together with its fully consolidated subsidiaries, the 'Group' or "VELCAN") was incorporated on 12 February 2009 as a public company limited by shares (société anonyme). Its registered office is located in Luxembourg. The Company is registered in the Luxembourg trade and company register under section B, number 145.006.

In 2014, the ultimate parent (and reporting entity) of the Group has changed. Until 2014, the Group's parent was Velcan Energy S.A., a French company previously domiciled at 75, boulevard Haussmann in Paris. During the period, Velcan Energy S.A. has merged into Velcan Energy Luxembourg S.A. – in the same time, the name of the Company has been changed into VELCAN, being now the parent of the Group.

VELCAN develops and operates hydro power concessions in emerging markets. The Group aims to become a market leader in hydro power concessions up to 200 MW. The Group is currently operating a hydro power production facility in Brazil, and is in the development phase of projects in India and Indonesia.

The consolidated financial statements at 31 December 2016 present the position of Velcan SA and its subsidiaries (referred to hereinafter as VELCAN). The consolidated financial result was approved by the Company's Board of Directors on 26th, April 2016 and the consolidated financial statements were authorized for issuance on 27th, April 2016. The accounts will be final only when submitted for approval by shareholders at the Annual General Meeting (General Assembly).

7.1.2. Compliance with accounting standards

The consolidated financial statements of VELCAN have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (hereafter "IFRS") as well as in accordance with articles 341bis of the Luxembourg law of 1915. The International accounting standards include the IFRS, the IAS (International Accounting Standards), and their SIC (Standing Interpretations Committee) and IFRIC (International Financial Reporting Interpretations Committee) interpretations.

Accounting standards adopted for the first time in the year under review

In 2016, no new accounting standard has been applied for the first time. Apart from the improvements, the following amendments to existing IFRS have been applied for the first time for the consolidated financial statements as of 31 December 2016:

Standard/Interpretation	
IFRS 10, 12 and IAS 28	Applying the consolidation exception for investment entities
Amendments IAS 16 and IAS 41	Amendments for bearer plants
Amendments IAS 16 and IAS 38	Amendments for acceptable methods of depreciation and amortization
Amendments IFRS 11	Amendments for accounting for acquisition of an interest in a joint operation
Amendments IAS 1	Disclosures

The adoption of these standards did not have a material effect on the consolidated financial statements of VELCAN.

Newly-issued accounting standards which are not yet mandatory

The IASB has issued the following standards, interpretations and amendments which are not yet compulsory or which must be endorsed by the EU before they can be adopted; the table below omits changes brought to the standards through the annual improvements cycle:

Standard / Interpretation	Title	Effective date (EU)	Date of adoption under EU law
IFRS 9	Financial instruments	2018	Nov 2016
IFRS 15	Revenue from Contracts with Customers	2018	Oct 2016
Amendments to IFRS 15	Clarifications to IFRS 15	2018	pending
IFRS 16	Leases	2019	pending
Amendments IFRS 10 and IAS 28	Amendments on sales or contributions of assets between an investor and its associate/joint venture	-	pending
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	2017	pending
Amendments to IAS 7	Disclosure Initiative	2017	Pending
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	2018	Pending
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	2018	Pending
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration	2018	Pending
Amendments to IAS 40	Transfers of Investment Property	2018	Pending

The analysis with respect to the impact of the adoption of the new standards (in particular IFRS 15 and 16) on the presentation of the net assets, financial position and result of operations is still ongoing.

7.1.3. Presentation of consolidated financial statements

The consolidated financial statements are presented in thousands of Euros, rounded to the closest thousand.

A) "Current" and "non-current" assets and liabilities

Current assets include customer receivables, inventories and all other assets that meet one of the following three conditions:

- the company expects to be able to dispose, sell or consume the asset as part of the normal operating cycle of the company (the normal operating cycle of a company refers to the period of time that elapses between buying raw materials used in an operating process and convert them in the form of cash or an instrument immediately convertible into cash);
- the asset is essentially held for the purpose of trading or for a shorter period and the company expects to dispose of it within 12 months after the year-end;
- the asset is cash for which there are no restrictions on use.

Current liabilities must include trade debts and all other liabilities that meet one of the following two conditions:

- the liability is going to be settled as part of the normal operating cycle of the company;
- the liability must be settled within 12 months after the year-end.

Other assets and liabilities not meeting this definition are reported as "non-current".

B) “Current operating result” and “Other operating income and expenses”

The profit and loss statement is presented per nature, according to the choice offered by IAS 1.99.
This presentation shows a “current operating result” which corresponds to net result before:

- income on disposal of equity shares;
- other operating income and expenses which mainly include:
    - ✓ restructuring costs;
    - ✓ losses and profits and variations of provisions covering exceptional events, in other words extraordinary in their amount or occurring rarely;
    - ✓ gains or losses on disposals or depreciation of assets;
- financial income
- financial expenses,
- current and deferred tax expense / income
- net profit of investments accounted for using the equity method,
- net profit from discontinued operations.

C) EBITDA

EBITDA (Earnings Before Interests, Taxes, Depreciation and Amortization) is calculated as the line “Current operating result” of the statement of profit and loss less the line “Depreciation, Amortization & Provisions.”

7.1.4. Consolidation accounting principles

A) Integration policies

The consolidated financial statements include the financial statements of the parent company and the companies controlled by it. In accordance with IFRS 10, the Group controls a component if it has:

- Power over the Component
- Exposure, or rights to variable returns from its involvement with the component
- The ability to use its power over the component to affect the amount of the return.

Power is defined as existing rights that give it the current ability to direct the relevant activities. The Group applies the full integration method for all of its subsidiaries.

B) Elimination of reciprocal accounts and transactions

Intra-group balances and transactions as well as profits and losses resulting from intra-group transactions are eliminated for the purposes of the preparation of the consolidated financial statements.

C) Date and effect of acquisitions and disposals

The results of companies that are newly consolidated during the financial year are only attributed to the Group for the fraction earned after the date of transfer of control. Similarly, the results relating to companies sold during the financial year are only consolidated for the fraction realized prior to the date of transfer of control in accordance with IFRS 3 and IAS 27.

D) Translation of financial statements and accounts in foreign currencies

Each entity of the Group determines its own functional currency and the elements included in the financial statements of each entity are measured using this functional currency.

The main functional currencies used within the Group are the Indian Rupee INR (for subsidiaries in India), the Real BRL (for subsidiaries in Brazil) and the Dirham AED (for the Dubai holding). The exchange rates used by the Group are indicated in paragraph 7.3.

Operations in foreign currencies are initially recorded in the operating currency at the current rate of exchange as of the date of the transaction.

At year-end, the assets and liabilities of these subsidiaries are converted into the presentation currency of the Group at the current rate of exchange on this date and their income statements are converted at the average weighted rate of exchange for the year.

Exchange differences resulting from this conversion are directly presented under a separate heading of equity. When going out from an overseas business, the total amount of deferred foreign currency translation differences shown in the separate component of equity relating to this overseas business is posted to the income from the disposal thereof.

Group internal transactions:

Short-term positions impact the result on the same manner than external-to-the-Group currency positions. Unrealized foreign exchange variations on long-term positions, of which the settlement is neither planned nor likely in a foreseeable future, are booked in foreign currency translation reserve in the Group's equity and comprehensive income and do not impact the net result, according to the provisions of IAS 21 norm's following paragraphs « net investment in a foreign operation ».

When the investment (net) is taken out of the perimeter, this foreign currency translation reserve is reclassified in the Group's net profit.

E) Use of estimates

The main assumptions concerning future events and other sources of uncertainty linked to the use of estimates would relate to intangible assets (see 7.1.5 B and 7.4.1) and projections enabling the use of tax losses carried forward.

Intangible assets not available for use are mainly consisting in developments costs linked to the hydroelectric projects of VELCAN (EUR 13.7m as of December 2016 against EUR 17.2m as of December 2015).

At least once a year, the recoverable amounts of this type of intangible assets is measured. The recoverable amount is defined as the higher of an asset's fair value less costs of disposal and its value in use. The fair value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.
The assumptions and estimates used in relation to the preparation of cash flow projections are highly judgemental.

The following key parameters are used by VELCAN:

- Financing structure of the project (equity / debt) and associated costs,
- Plant load factor determined through techno-economic studies and environmental studies,
- Length of the concession,
- Future electricity selling price based on local legislation,
- Tax rates,
- Costs estimated until the start of the construction, depending mainly on the length of administrative procedures and on the degree of requirement of local legislation in each country,
- Discount rate applied to cash flow: the discount rates used are comprised in the range of 8% to 11% depending on each country premium risk and borrowing rates.

According to the length of the administrative process and to the degree of uncertainty linked to above assumptions, cash flow projections might change significantly from year to year.

7.1.5. Valuation Methods and rules

All consolidated entities apply uniform accounting policies for similar transactions and events.

A) Goodwill

Business combinations are accounted for using the purchase method, in accordance with the provisions of IFRS 3 – Business combinations. All assets, liabilities and contingent liabilities acquired are posted at their fair value. Goodwill is measured as the difference between:

o the aggregate of (i) the value of the consideration transferred (generally at fair value), (ii) the amount of any non-controlling interest, and (iii) in a business combination achieved in stages (see below), the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree, and

o the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed (measured in accordance with IFRS 3).

Goodwill is not amortized but is tested for impairment annually or more frequently if internal or external events or circumstances indicate that a reduction in value is likely to have occurred. In particular, the balance sheet value of goodwill is compared to the recoverable amount which corresponds to the higher of market fair value and value in use. In order to determine their value in use, fixed assets are grouped together in the Cash Generating Unit (CGU) to which they belong. The value in use of the CGU is determined by the discounted cash flow (DCF) before tax method. The recoverable amount of the CGU determined in this way is then compared to the contributory value of the assets in the consolidated balance sheet (including goodwill). A provision for depreciation is posted, if applicable, if this value in the balance sheet is more than the recoverable amount of the CGU and is applied as a priority against goodwill. This impairment is recognized in operating income. It cannot be reversed when it has been charged against goodwill. In accordance with IFRS 3, negative goodwill is recognized as profit immediately under operating income.

B) Intangible assets

Like all assets, an intangible asset is an identifiable element of the company’s assets. An intangible asset is a non-monetary asset without physical substance.

According to IAS 38 "Intangible Assets", the conditions to be met to post an asset resulting from the development (or an internal project development phase IAS 38.57) or the development cost of a project to "intangible assets" item correspond to the following criteria:

- establishment of technical feasibility of completion of intangible asset so it can be used or sold;
- intention to complete intangible asset;
- ability of company to use it or sell it;
- determination of future economic benefits (in other words, the benefit this asset will contribute directly or indirectly to flows to the company);
- current or future availability of resources necessary to complete this project;
- ability to reliably measure costs related to this asset.

Elements acquired for payment are recognized at purchase cost and elements produced by the company are recognized at production cost. The entry costs of an intangible asset correspond to the direct costs attributable to the project only.
Production costs can be incorporated into the entry costs of the intangible asset when the conditions set out above are met. Costs incurred before this date are not retrospectively posted to assets.
The Group's main intangible assets are as follows:

- development costs meeting the above criteria;
- operating licenses including the costs directly associated with acquiring or obtaining them;
- patents acquired or created internally;
- software development costs, on its relative share of internal or external costs due to its creation or performance improvement

Intangible assets are amortized over their useful life by the user company and not over their probable life.

In the case of legal or contractual protection, the amortization period used is the shorter of the period of use and the duration of this protection. In this last case, it is possible to consider the renewal of rights when this renewal is materially and reasonably foreseeable.

Amortization starts on the date on which the asset is ready to be used for the purpose intended by the management.

The amortization applied reflects the pattern of consumption by the company of the future economic benefits expected from the asset.

If this cannot be reliably determined, the straight-line method is used. Useful life, mode of amortization and residual value must be re-examined at each year-end. In the case of application or reversal of depreciation, the amortization plan must be corrected.

Research activities are charged to expense when they are incurred and cannot be incorporated into the cost of the asset subsequently. Research costs charged to expense are, for example, activities aiming to obtain new knowledge, the search for alternative solutions for materials, processes or products…

Start-up costs must be charged to expense. Research costs, as well as other development and study costs not meeting the criteria mentioned above are also charged to expense in the financial year during which they are incurred.

C) Tangible assets

In accordance with IAS 16 “Tangible assets”, the gross value of assets corresponds to their purchase price or production cost. It is not re-valued.

When the components of an asset have different lifetimes, they are posted separately and amortized over their particular useful life. Significant spare parts are thus capitalized and amortized over the useful life of the respective production units.

On the other hand, the maintenance and repair costs of production units intended to keep them in good working order and not to significantly increase the expected economic benefits or extend their useful life are recognized as an expense when they are incurred.

To date, obligations likely to generate dismantling and removal costs for assets have not been identified. Consequently, no costs of this kind are included in the cost price of the installations and accordingly no ad hoc provision ad hoc has been posted to liabilities.

When received, investment subsidies are posted against the assets they subsidize while repayable subsidies are presented in the liabilities of the balance sheet under the item “other debts”.

Tangible assets are amortized using the straight-line method, over the principal estimated economic useful life of the corresponding assets, unless the asset is the subject of a license or a right for a shorter time.

Thus, production installations are amortized using the straight line method over their estimated useful life from the date on which the asset is ready to be put into service, in other words when it is in the necessary place and condition so it can be used in the way specified by the management.

The Group adjusts the useful life of fixed asset annually. Hydropower Plants are amortized using the straight line method over the duration of the concession. Other tangible assets are amortized using the straight-line method over periods between 2 and 10 years. To date, no Power Purchase Agreement (PPA) having been signed with conceding authorities for any concession owned by the Group, IFRIC 12 has not been applied to those assets. Depending on the concession, the norm may apply and impact the respective asset’s classification in case such PPA would be signed.

D) Leased assets

According to IAS 17, leases are reported as finance leases when the terms of the lease agreement transfer substantially all the risks and rewards incident to ownership to the lessee. Property that is the subject of a finance lease agreement or similar is posted to assets, generally for the value stipulated in the agreement, under the corresponding fixed assets items; amortization is calculated over identical periods to those used for other assets of the same kind. The consideration for these assets is posted to the liabilities of the balance sheet under the item borrowing and financial debts and is amortized according to the schedule of the agreements for the fraction of the fees corresponding to the repayment of the principal amount. The restatement of fees has an impact on the income.

Lease agreements in which the lessor retains almost all of the risks and rewards incident to ownership of the asset are posted as simple lease agreements. Payments under simple lease agreements are posted as expenses in the income statement on a linear basis until the expiry date of the agreement.

E) Impairment of elements of fixed assets

According to IAS 36 "Impairment of assets", the recoverable amount of tangible and intangible assets is tested as soon as there are any indications of impairment, these being reviewed at the end of each financial year.

- Intangible assets with a finite life and tangible assets: the value of significant assets is reviewed at each financial year-end to look for any indication of impairment. If such indications exist, the recoverable amount of the assets is estimated and impairment is recorded when the book value of an asset is more than its recoverable amount. The recoverable amount of an asset is the higher of an asset's net selling price (selling fees included) and its value in use determined by estimating the future cash flows generated by the asset.
- Intangible assets with an indeterminate useful life: they are subject to an impairment test at the level of cash generating units according to the policies presented above in § A) Goodwill.

F) Financial assets

Financial assets are defined by standards IAS 32 "Financial instruments: presentation" and IAS 39 "Financial instruments: Recognition and measurement". The latter requires financial assets to be reported in four categories:

- loans and receivables granted by the company

This category includes loans and receivables associated with financial investments. These assets are measured at amortized cost. Their value in the balance sheet includes the outstanding capital, subjected to a depreciation test in case there are clues of losses in their value. Impairment is recognized in the income statement.

- held-to-maturity financial investments

These assets essentially include bonds and certificates of deposit which cannot be readily available or disposed of in the very short-term or which present significant risks of impairment if interest rates change. They are acquired with the intention of keeping them until they mature. They are posted using the amortized cost method and subject to a depreciation test in case there are clues of losses in their value.

- Financial assets at fair value through profit and loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit at inception. Both categories are shown separately on the statement of financial position. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Financial assets designated at fair value through profit and loss at inception are those that are managed and their performance is evaluated on a fair value basis. Assets in this category are classified as current assets if they are expected to be realized within twelve months of the closing date. This category includes, in particular, cash mutual funds and negotiable debt securities, which can be mobilized or disposed of in the very short-term and do not present significant risks of impairment if interest rates change.

- available-for-sale financial assets

These assets include all other assets that do not correspond to the three previous categories. They essentially include equity shares and investment securities.

G) Cash and cash equivalent

Cash (as shown in Cash Flow Statement) is defined as the sum of cash available and cash equivalent less bank overdrafts, if any. There is no bank overdraft as of end of this financial year. Cash equivalent includes mainly deposits and Money Market Funds that are not subject to significant price variations, that are easily available and of which the conversion amount into cash is known or subject to insignificant variations.

H) Financial liabilities

Financial liabilities include bank debts and other financial debts. They are initially recorded at fair value net of transaction costs and subsequently valued at amortized cost. Financial liabilities also include derivatives.

I) Derivatives

Derivatives are firm or optional and relate to the following elements: an interest rate, an exchange rate, the price of a share, the price of a raw material, a credit risk or an index calculated on the basis of one of the underlying elements mentioned previously.

IAS 39 “Financial instruments: recognition and measurement” requires all derivatives to be recorded in the balance sheet at fair value when they are set up and when they are re-valued at each financial year-end

Derivatives are fair valued; all gains and losses are recognized in profit and loss.

J) Inventories

Stocks mainly consist of non-strategic spare parts required for the operation of plants. They are valued at cost price or mark-to-market price, if the latter is less than the purchase price.

K) Accounts receivable/Accounts payable

Accounts receivable and accounts payable are valued at their fair value on the date of initial recognition.

Provisions for depreciation are recorded for bad debts and determined per customer, depending on the assessment of the risk of non-collection.

L) Deferred taxation

In accordance with IAS 12 “Income taxes”, deferred taxes are recognized for all temporary differences between the carrying amounts of assets and liabilities and their tax base, as well as for tax deficits. Differences are temporary when they are expected to be reversed in the foreseeable future.

Deferred tax assets are recognized in the balance sheet when it is more probable than improbable that they will be used against future profits in foreseeable future. For that matter, VELCAN is preparing projections over a period of 5 years.

In accordance with the standard, deferred tax assets and liabilities are offset for the same tax entity, tax assets and liabilities are not discounted.

M) Share option plans at agreed unit price

Share options can be granted to managers and certain employees of the Group. In accordance with IFRS 2 “Share-based Payment”, these plans are recognized at fair value on the date they are granted. Value changes after the date of granting have no impact on this initial valuation (because these are plans settled in equity instruments).

The value of the plans is estimated according to current market practices. This value is recorded as a payroll expense on a straight-line basis between start date of acquisition of rights and the date of exercise – vesting period – with a direct counterpart in Equity.

N) Pension commitments and similar

There are no significant post-employment benefits (retirement pension or similar).

O) Provisions

In accordance with IAS 37, provisions are reported as current provisions (for the less than one year part) and non-current (for the more than one year part).

Provisions are reported when the Group has a legal, regulatory, implicit or contractual obligation as a result of past events, when it is probable that an outflow of resources is necessary to settle the obligation and the amount of the obligation can be reliably assessed. The amount posted to a provision represents the best estimate of the risk at each financial year-end, after consulting the company's legal advisors, if applicable.

P) Revenue Recognition

In accordance with IAS 18 requirements, a revenue is recognized in the income statement when it is probable that any future economic benefit associated with the item of revenue will flow to the entity, and the amount of revenue can be measured with reliability.

Turnover consists essentially of revenues obtained from:

- long-term energy supply contracts; and
- incidentally, engineering service revenues.

Q) Other operating revenue

This heading includes in particular income from the generation of carbon credits, concomitant with the electricity generation, for sites having obtained the necessary approval. To date, the Group's activities of buying and selling of carbon credits are not carried out on behalf of customers. No revenue pertaining to carbon credits was recognized in 2015 and 2016 respectively.

R) Other operating income and expenses

Other operating income and expenses consist of transactions which, due to their characteristics, are unusual in nature or non-recurring.

S) Method of calculating earnings per share

In accordance with IAS 33, net earnings per share is calculated by dividing the net income group share attributable to ordinary shareholders by the average weighted number of shares in circulation during the financial year. Net diluted earnings per share is obtained by dividing the net income group share by the average weighted number of shares in circulation during the period for which the calculation is carried out, adjusted by the maximum impact of the conversion of convertible instruments in ordinary shares according to the so-called share buyback method.

T) Segment reporting

In accordance with IFRS 8, VELCAN publishes primary segment reporting per geographical area.

The Group’s geographical segments are as follows:

- Europe
- South America
- Middle East and Africa
- Asia

7.2. Consolidation scope

As of 31 December 2016, the base of consolidation of Velcan includes 21 fully consolidated companies.

7.2.1. Base of consolidation

The following companies are consolidated:

Company in Luxembourg	Adress	Method of Consolidation	% of control 2016.12	% of Interest 2016.12	% of control 2015.12	% of Interest 2015.12	Comments
VELCAN SA	11 Avenue Guillaume, L-1651 Luxembourg	Parent Company	100%	100%	100%	100%	Created on 12/02/09
Indian Companies	**Adress**	**Method of Consolidation**	**% of control 2016.12**	**% of Interest 2016.12**	**% of control 2016.12**	**% of Interest 2016.12**	**Comments**
VELCAN RENEWABLE ENERGY Pvt Ltd	No. 572,”Samruddhi Nilaya”,Unit No. 2, 2nd Floor,1st Cross, Police Station Road, Behind Govt High School, Hebbal,Bangalore-560 024	Full integration	100%	100%	100%	100%	Created on 31/03/2006
PAUK HYDRO POWER PVT LTD	G-77, Sujan Singh Park, New Delhi-110003	Full integration	100%	100%	100%	100%	Created on 15/11/2007
SIYOTA HYDRO POWER PVT LTD	G-77, Sujan Singh Park, New Delhi-110003	Full integration	100%	100%	100%	100%	Created on 15/11/2007
HEO HYDRO POWER PVT LTD	G-77, Sujan Singh Park, New Delhi-110003	Full integration	100%	100%	100%	100%	Created on 14/11/2007
HIRIT HYDRO POWER PVT LTD	G-77, Sujan Singh Park, New Delhi-110003	Full integration	100%	100%	100%	100%	Created on 14/11/2007
SOUTH INDIA ENERGY CONSULTANTS PRIVATE LIMITED	No. 572,”Samruddhi Nilaya”,Unit No. 2, 2nd Floor,1st Cross, Police Station Road, Behind Govt High School, Hebbal,Bangalore-560 024	Full integration	100%	100%	100%	100%	Acquired on 06/02/2014
Company in United Arab Emirates	**Adress**	**Method of Consolidation**	**% of control 2016.12**	**% of Interest 2016.12**	**% of control 2016.12**	**% of Interest 2016.12**	**Comments**
VELCAN ENERGY HOLDING DUBAI	Office 33, Level 3, Gate Village Bldg # 4, Dubai International Financial Centre PO box 113355 - Dubai - UAE	Full integration	100%	100%	100%	100%	Created on 23/04/2007

Brazilian Companies	Adress	Method of Consolidation	% of control 2016.12	% of Interest 2016.12	% of control 2016.12	% of Interest 2016.12	Comments
VELCAN DESENVOLVIMENTO ENERGETICO DO BRASIL Ltda	Rua São Tomé, 86 cj 192. Vila Olimpia CEP 04551-080, São Paulo	Full integration	100%	100%	100%	100%	Created on 29/12/2005
SPE RODEIO BONITO	Avenida Getúlio Vargas, n. 283 S, 3° andar, sala 303 Centro – Chapecó CEP 89.802-001 Santa Catarina	Full integration	100%	100%	100%	100%	Created on 22/08/2007
QUEBRA DEDO HIDRELETRICA	Rua São Tomé, 86 cj 192. Vila Olimpia CEP 04551-080, São Paulo	Full integration	100%	100%	100%	100%	Created on 01/02/2008
PIRAPETINGA HIDRELETRICA	Rua São Tomé, 86 cj 192. Vila Olimpia CEP 04551-080, São Paulo	Full integration	100%	100%	100%	100%	Created on 28/02/2008
IBUTURUNA HIDRELETICA SA	Rua São Tomé, 86 cj 192. Vila Olimpia CEP 04551-080, São Paulo	Full integration	100%	100%	100%	100%	Created on 03/04/2008

Company in Mauritius	Adress	Method of Consolidation	% of control 2016.12	% of Interest 2016.12	% of control 2016.12	% of Interest 2016.12	Comments
VELCAN ENERGY MAURITIUS LIMITED	Level 2 Alexander House 35 Cybercity, Ebène, Republic of Mauritius Republic of Mauritius	Full integration	100%	100%	100%	100%	Created on 16/04/2009

Company in Singapore	Adress	Method of Consolidation	% of control 2016.12	% of Interest 2016.12	% of control 2016.12	% of Interest 2016.12	Comments
VELCAN ENERGY SINGAPORE PTE LTD	1 Scotts Road #24-05 Shaw Centre Singapore 228208	Full integration	100%	100%	100%	100%	Created on 06/05/2011
VELCAN MEUREUBO 2 HYDRO POWER PTE. LTD.	1 Scotts Road #24-05 Shaw Centre Singapore 228208	Full integration	100%	100%	100%	100%	Created on 10/11/2014

Company in Indonesia	Adress	Method of Consolidation	% of control 2016.12	% of Interest 2016.12	% of control 2016.12	% of Interest 2016.12	Comments
PT. Redelong Hydro Energy (formerly: PT Velcan Ilthabi Hydropower)	Gedung Inti Centre Jl. Taman Kemang No. 32 A, Bangka, Mampang Prapatan, Jakarta 12730, Indonesia	Full integration	95%	95%	95%	95%	Created on 13/10/2011
PT. Lampung Hydroenergy	Gedung Inti Centre Jl. Taman Kemang No. 32 A, Bangka, Mampang Prapatan, Jakarta 12730, Indonesia	Full integration	92%	92%	92%	92%	Created on 09/12/2011
PT. Aceh Hydropower	Gedung Inti Centre Jl. Taman Kemang No. 32 A, Bangka, Mampang Prapatan, Jakarta 12730, Indonesia	Full integration	95%	95%	95%	95%	Created on 04/01/2012
PT. Bilah Membangun (formerly: PT. Sangir Hydro)	Gedung Inti Centre Jl. Taman Kemang No. 32 A, Bangka, Mampang Prapatan, Jakarta 12730, Indonesia	Full integration	92%	92%	92%	92%	Created on 09/07/2012
PT. Jambuaye Hydropower Plant	Gedung Inti Centre Jl. Taman Kemang No. 32 A, Bangka, Mampang Prapatan, Jakarta 12730, Indonesia	Full integration	95%	95%	95%	95%	Created on 05/08/2015

7.2.2. Changes in consolidation scope

There were no changes in consolidation scope during 2016 FY.

7.3. Currency rates

1 € =	31.12.2016		31.12.2015	
	Closing rate	Average rate	Closing rate	Average rate
BRL (Brazilian Real)	3.43	3.86	4.32	3.70
INR (Indian Rupee)	71.63	74.46	72.29	71.29
AED (Dirham UAE)	3.87	4.07	4.01	4.08
USD (US Dollar)	1.05	1.11	1.09	1.11
SGD (Singapore Dollar)	1.52	1.53	1.54	1.53
IDR (Indonesian Rupiah)	14,243	14,768	15,171	14,936
NOK (Norwegian Krone)	9.11	9.30	9.62	8.96

7.4. Notes on the balance sheet and income statement

Note 1 – Intangible Assets

Intangible assets as of 31 December 2016 are detailed as follows:

In thousands of euros	Development costs	Intangible assets in progress	Licenses, patents and rights	Total
Gross value	2,179	25,993	984	**29,156**
Amortization & Impairment	(541)	(8,794)	(249)	**(9,584)**
Net closing balance at 31.12.2015	**1,638**	**17,199**	**735**	**19,572**
Gross value				
Opening balance at 01.01.2016	2,179	25,993	984	**29,156**
Foreign Currency translation	531	1,398	255	**2,184**
Change in perimeter/reclassification	-	23	-	**23**
Acquisitions	-	2,034	-	**2,035**
Disposals/Write off	-	(879)	-	**(879)**
Closing balance at 31.12.2016	2,710	28,568	1,239	**32,518**
Amortization & Impairment				
Opening balance at 01.01.2016	(541)	(8,794)	(249)	**(9,584)**
Foreign Currency translation	(144)	(1,277)	(69)	**(1,490)**
Amortization/Impairment for the year	(99)	(5,628)	(45)	**(5,772)**
Disposals/Write back	-	879	-	**879**
Closing balance at 31.12.2016	(783)	(14,820)	(363)	**(15,967)**
Net closing balance at 31.12.2016	**1,926**	**13,748**	**876**	**16,551**
Gross value	2,710	28,568	1,239	**32,518**
Amortization & Impairment	(783)	(14,820)	(363)	**(15,967)**
Net closing balance at 31.12.2016	**1,926**	**13,748**	**876**	**16,551**

Intangible assets mainly include amounts paid for acquiring the concessions for hydroelectric projects as well as external and internal costs incurred during the project's development and attributable to projects meeting the criteria defined in the accounting principles (see above, 7.1.5, B). These projects are as follow:

- Rodeio Bonito concession in Brazil: EUR 2.7m
- Direct costs on hydroelectric projects under development (India and Indonesia): EUR 13.8m

The most significant changes during FY 2016 refer to:

- capitalization of development fees on projects under development: EUR 2.0m
- impact of FX variation: EUR 0.7m
- impairment and amortisation: EUR -5.8m

Of which

- Indonesian projects impairments: EUR 5.6m

Intangible assets as of 31 December 2015 are detailed as follows:

In thousands of euros	Development costs	Intangible assets in progress	Licenses, patents and rights	Total
Gross value	2,839	25,782	1,300	**29,921**
Amortization & Impairment	(588)	(6,910)	(277)	**(7,775)**
Net closing balance at 31.12.2014	**2,251**	**18,872**	**1,023**	**22,146**
Gross value				
Opening balance at 01.01.2015	2,839	25,782	1,300	**29,921**
Foreign Currency translation	(659)	320	(316)	**(655)**
Acquisitions	-	3,470	3	**3,473**
Disposals/Write off	(0)	(3,579)	(3)	**(3,582)**
Closing balance at 31.12.2015	2,179	25,993	984	**29,156**
Amortization & Impairment				
Opening balance at 01.01.2015	(588)	(6,910)	(277)	**(7,775)**
Foreign Currency translation	151	954	72	**1,177**
Amortization/Impairment for the year	(103)	(2,972)	(47)	**(3,122)**
Disposals/Write back	0	133	2	**136**
Closing balance at 31.12.2015	(541)	(8,794)	(249)	**(9,584)**
Net closing balance at 31.12.2015	**1,638**	**17,199**	**735**	**19,572**
Gross value	2,179	25,993	984	**29,156**
Amortization & Impairment	(541)	(8,794)	(249)	**(9,584)**
Net closing balance at 31.12.2015	**1,638**	**17,199**	**735**	**19,572**

Note 2 – Tangible assets

Tangible assets variations as of 31 December 2016 are detailed as follows:

In thousands of Euros	Land and Buildings	Technical installations	Vehicles	Furniture computer equip.	Total
Gross Value	14,396	248	26	175	**14,844**
Depreciation & Impairment	(3,637)	(223)	-	(97)	**(3,957)**
Net closing balance at 31.12.2015	**10,759**	**25**	**26**	**78**	**10,887**
Gross value					
Opening balance at 01.01.2016	14,396	248	26	175	**14,844**
Foreign Currency translation	3,709	16	0	14	**3,739**
Change in perimeter/reclassification	-	-	-	(23)	**(23)**
Acquisitions	2	-	-	3	**4**
Disposals/Write off	-	(19)	-	(1)	**(20)**
Closing balance at 31.12.2016	18,106	245	26	168	**18,545**
Depreciation & Impairment					
Opening balance at 01.01.2016	(3,637)	(223)	-	(97)	**(3,957)**
Foreign Currency translation	(1,029)	(15)	-	(8)	**(1,051)**
Depreciation/Impairment for the year	(637)	(10)	-	(7)	**(653)**
Disposals/Write back	-	9	-	-	**9**
Closing balance at 31.12.2016	(5,302)	(238)	-	(112)	**(5,651)**
Net closing balance at 31.12.2016	**12,804**	**7**	**26**	**56**	**12,893**
Gross Value	18,106	245	26	168	**18,545**
Depreciation & Impairment	(5,302)	(238)	-	(112)	**(5,651)**
Net closing balance at 31.12.2016	**12,804**	**7**	**26**	**56**	**12,893**

Tangible assets mainly consist of land acquisition and construction costs attributable to projects meeting the criteria defined in the accounting principles (see above, 7.1.5, C). For FY 2015, these projects are as follows (net amounts):

- Rodeio Bonito concession in Brazil — EUR 12.6m
- Projects under development — EUR 0.3m

Main variations were:

- FX impact on retranslation of the Rodeio Bonito powerplant: EUR 2.7 m due to the BRL appreciation (EUR -3.5 m for 2015 FY).
- Depreciation on the Rodeio Bonito powerplant: EUR 0.6m (EUR 0.7 m for 2015 FY).

Tangible assets variations as of 31 December 2015 are detailed as follows:

In thousands of Euros	Land and Buildings	Technical installations	Vehicles	Furniture computer equip.	Total
Gross Value	18,905	298	24	176	**19,403**
Depreciation & Impairment	(4,064)	(219)	-	(108)	**(4,391)**
Net closing balance at 31.12.2014	**14,841**	**78**	**24**	**69**	**15,012**
Gross value					
Opening balance at 01.01.2015	18,905	298	24	176	**19,403**
Foreign Currency translation	(4,584)	(17)	2	(7)	**(4,607)**
Acquisitions	85	(0)	0	7	**92**
Disposals/Write off	(10)	(33)	-	(1)	**(44)**
Closing balance at 31.12.2015	14,396	248	26	175	**14,844**
Depreciation & Impairment					
Opening balance at 01.01.2015	(4,064)	(219)	-	(108)	**(4,391)**
Foreign Currency translation	1,089	13	-	4	**1,106**
Depreciation/Impairment for the year	(663)	(48)	-	5	**(706)**
Disposals/Write back	1	31	-	1	**34**
Closing balance at 31.12.2015	(3,637)	(223)	-	(97)	**(3,957)**
Net closing balance at 31.12.2015	**10,759**	**25**	**26**	**78**	**10,887**
Gross Value	14,396	248	26	175	**14,844**
Depreciation & Impairment	(3,637)	(223)	-	(97)	**(3,957)**
Net closing balance at 31.12.2015	**10,759**	**25**	**26**	**78**	**10,887**

Note 3 – Current and non-current Financial assets

Financial assets are mainly consisting in listed bonds and equities:

Thousands of Euros	31.12.2016	31.12.2015
Financial assets designated at fair value through profit and loss	48,113	38,485
Loans and receivables	78	-
Total Current Financial assets	**48,190**	**38,485**
Financial assets designated at fair value through profit and loss	1,624	2,600
Loans and receivables	882	239
Total non-current financial assets	**2,506**	**2,840**
Total financial assets	**50,696**	**41,324**

Note 4 – Deferred tax and Income Tax

The income tax is broken down as follows:

In thousands of Euros	31.12.2016	31.12.2015
Current Income Tax	(347)	(333)
Deferred tax	(219)	(224)
Tax income (+) and Expenses (-)	**(566)**	**(556)**

Deferred tax assets mainly refer to a deferred tax asset on tax losses brought forward at the level of VELCAN.

The reconciliation between recorded and theoretical income tax is detailed as follows:

In thousands of euros	31.12.2016	31.12.2015
Net income	**(1,358)**	**4,888**
Income tax	(566)	(556)
Income before tax	**(792)**	**5,444**
Theoretical rate of taxation	**29.22%**	**29.22%**
Theoretical tax profit (+) or loss (-)	**231**	**(1,591)**
Permanent/temporary differences	1,029	753
Variation of tax loss recognized as assets	(219)	(224)
Tax loss not recognized as assets	(510)	(514)
Tax rate differences	(1,095)	974
Other differences	(2)	46
Tax Income (+) and Expenses (-)	**(566)**	**(556)**
Actual rate of taxation	**-71.4%**	**10.2%**

In accordance with IAS 12, the Group has assessed its ability to collect deferred taxes recognized as assets on a case by case basis. Deferred tax asset on tax losses brought forward have been recorded in the absence of doubt about the ability of VELCAN to generate future taxable income to allow recovery. Indian subsidiaries owning Arunachal Pradesh concessions and Brazilian subsidiaries owning Ibituruna, Pirapetinga and Quebra Dedo concessions have no tax losses brought forward.

Cumulated deficits of other entities (Mainly Indian, Brazilian and Singaporean holdings) have not been activated because the probability to be in a position of using those deficits against future benefits is very uncertain.

Note 5 - Trade and other receivables

Trade and other receivables are broken down as follows:

In thousands of Euros	31.12.2016	31.12.2015
Biomass electricity customers in India	2,720	2,695
Provision on Biomass electricity customers	(2,720)	(2,695)
Hydro electricity customers	348	247
Others	17	-
Total	**365**	**247**

The hydro power sales receivables relate to Rodeio Bonito 2016 power production and amount to EUR 0.3m. Payment has been received subsequent to year end.

The Group previously owned two Biomass power plants in India, named Satyamaharshi (SMPCL) and Rithwik (RPPL). As of 31 December 2016, the payment arrears claimed by VELCAN for its period of ownership amount to EUR 2.7m, before interests. These arrears are related to a dispute between the Association of Biomass Producers of the State of Andhra Pradesh and their client APTRANSCO. These amounts have been fully impaired while awaiting the outcome of this dispute.

Note 6 – Other Current Assets

Other current assets are broken down as follows:

In thousands of Euros	31.12.2016			31.12.2015		
	Gross	Prov.	Net	Gross	Prov.	Net
Trade of carbon credits	0	-	0	459	(459)	-
Carbon credit production	(0)	-	(0)	(0)	-	(0)
Tax and social receivables	332	-	332	255	-	255
Other receivables	343	-	343	281	-	281
Total	**675**	**-**	**675**	**994**	**(459)**	**535**

Note 7 – Cash & Cash equivalents

The Cash & Cash equivalent is allocated as follows:

In thousands of Euros	31.12.2016	31.12.2015
Cash equivalent	49,266	28,009
Cash	5,184	32,047
Cash & Cash equivalent (Assets)	**54,449**	**60,056**
Current creditor bank accounts	-	-
Total net cash balance	**54,449**	**60,056**

Note 8 – Equity

Capital:

As at 31 December 2016, the subscribed capital amounts to EUR 7,805,442 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 represented by 30,000,000 shares with a nominal value of EUR 1 each.

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximising the return to stakeholders through optimisation of the debt and equity balance. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets and the overall strategy remains unchanged from 2015. The subscribed capital is sufficient to support the Group's financial needs during pre-construction/prospection stage. The Group will review its capital requirements as it moves to the construction stage.

Own Shares:

At 31st December 2016, the Group holds 1,791,382 own shares (2015: 1,821,132)). At year end closing price of EUR 10, those own shares have a market value of EUR 17.9m. In accordance with IFRS rules, those shares reduce shareholders' equity by the amount of the initial acquisition cost and the unrealized gain on own shares is not taken into account in the Group's consolidated result.

Change in number of shares:

In number of shares	31.12.2016	Unit Price	31.12.2015	Unit Price
At beginning of the period	**7,797,442**	**1.0**	**7,790,942**	**1.0**
Cash Capital increase on 5 May 2015		1.0	1,000	1.0
Cash Capital increase on 10 december 2015		1.0	5,500	1.0
Cash capital increase on 08 January 2016	8,000	1.0		
At the end of the period	**7,805,442**	**1.0**	**7,797,442**	**1.0**

Conversion reserves and Available for Sale financial assets reserves:

At the end of the period the assets and liabilities of subsidiaries are translated into the current currency of the Group at the rate of exchange prevailing at that date (see 7.3) and their income statements are translated at the weighted average exchange rate of the year. Foreign exchange differences between the historical data and results of these conversions are assigned to conversion reserves.

The conversion reserves include also the unrealized exchange differences on long term loans, in currencies, granted to the subsidiaries.

Hence, as of 31 December 2016, those cumulative reserves represent an unrealized loss of EUR -4.3m, booked against equity, versus a net unrealized loss of EUR -8.2m at the end of 2015.

In thousands of Euros Other comprehensive Income	Conversion reserve on Retained Earnings and Equity	Conversion reserve on LT Interco Loans	Total
Opening balance at 01.01.2016	(4,029)	(4,154)	(8,183)
Variation in 2016	30	3,812	3,842
Closing balance at 31.12.2016	(3,999)	(342)	(4,341)

In thousands of Euros Other comprehensive Income	Conversion reserve on Retained Earnings and Equity	Conversion reserve on LT Interco Loans	Total
Opening balance at 01.01.2015	(4,175)	(1,991)	(6,166)
Variation in 2015	146	(2,163)	(2,017)
Closing balance at 31.12.2015	(4,029)	(4,154)	(8,183)

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 or consultants of the Company and its subsidiaries.

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 the 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 the right to apply for one share.

Fair value - when the options and warrants were granted - has been estimated with Black & Scholes model and following assumptions: the discount rate used for the evaluation of equity warrants corresponds to the OAT accrued at the date of maturity of the French Treasury bonds and Stock volatility is estimated on the closing price of 100 cumulative days before each respective Board. For non-vested instruments a weighted prorated calculation is used on the basis of time between the attribution date and the vesting date. Once the instrument is vested the full fair value cost is booked in the reserve. EUR 0.3m of fair value is still to be booked on future financial years. Part of this amount is capitalized on projects in accordance to Group accounting policies and only part of this cost has an impact on the net income.

A modification was made to three equity warrants plans granted to a director of subsidiaries of the Group. His equity warrants were traded against existing shares held by the Group as treasury shares with a ratio of one existing share for two equity warrants. 29,750 shares were traded against 59,500 equity warrants already vested as of the date of the transaction. The original subscription prices of equity warrants were between 8 and 10.5. It has been agreed that the non-vested equity warrants would be traded against existing shares with the same two to one ratio and following the same vesting as the one of the equity warrants original agreements.

The incremental fair value granted, as a result of those modifications, was EUR 188,302 of which 136,537 was booked in payroll expenses in FY 2016 while EUR 51,765 is still to be booked on future financial years. As per IRFS norms, this transaction does not affect shareholders' funds.

The fair value of the shares delivered was compared to the fair value of the original equity instrument (re-assessed at the date of the modification), using the Black & Scholes model to calculate the incremental fair value granted. Share price used in the model was EUR 9.90, while expected volatility (based on 100 days of stock exchange prices) was 21.86% and option life 3 years for one plan, 5.3 years for the second plan and 6.4 years for the third plan. No dividend expected were featured in the model, while the risk free interest rates were factored respectively at -0.6%, -0.3% and -0.1%

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 a shareholder against each share continuously registered for a period of 4 years under such shareholder's name in the nominative register held directly by the custodian specially appointed by the Company for that purpose (BNP Paribas Securities Services as of the 31/12/2016). A second Beneficiary share is allocated to the shareholder of each share continuously registered for a period of 6 years under the shareholder's name in the nominative register held directly by the custodian specially appointed by the Company for that purpose (BNP Paribas Securities Services as of the 31/12/2016). As a result, the total number of voting rights in the company, existing at 31st December, 2016, is as follow: 11,886,089.

Note 9 – Non-current and current Financial liabilities

Non-current and current financial liabilities relate mainly to derivatives instruments (options and forward forex with unrealized loss, booked in the income statement).

Note 10 – Non-current provisions

Non-current and current provisions cover the following risks:

In thousands of Euros	31.12.2015	Reversal	Forex Difference	31.12.2016
Provision for disputes (1)	886	-	8	894
Total Provisions (non-current liabilities)	**886**	**-**	**8**	**894**
Provision for disputes	21	(15)	0	6
Total provisions (current liabilities)	**21**	**(15)**	**0**	**6**
Total provisions	**907**	**(15)**	**8**	**901**

(1) **Litigation following the acquisition of Satyamaharshi Power Plant (India):**

Parties: Velcan India Pvt. Ltd (VEIPL), defendant and the plaintiffs, sellers of the Satyamaharshi Power Corporation Limited (SMPCL, also defendant and outside the consolidation scope as of 31 December 2016).

Facts: SMPCL owns and exploits a biomass thermal plant of 7.5MW. VEIPL bought SMPCL in 2006 and sold it in 2010. According to the agreement signed on 7 April 2006 between VEIPL and the transferors during the acquisition of SMPCL, VEIPL was permitted to retain, during a certain period, a part of the price (INR 15m, or EUR 0.2m at 2016 closing rate) in order to compensate any liabilities that may appear after the acquisition but corresponding to the management period of the vendors prior 2006. Given the issues and liabilities discovered after the acquisition of SMPCL, this amount has been kept as per the terms of the share purchase agreement.
The transferors or related parties today allege that these amounts are due to them and they initiated in 2008 a legal dispute before the Hyderabad City Civil Court, in India.

The same agreement signed on 7 April 2006 states that the receivables in current account (INR 28.9m or EUR 0.4m at 2016 closing rate) detained by them and other related parties, would have been paid for by SMPCL only in case the carbon credits generated before acquisition would have been delivered before October 2007. With the delivery having taken place only in 2008, these amounts have been retained by SMPCL, and the receivables have become obsolete.
After many pre-suit contacts, the related parties owing the initial receivables, and related to the Sellers, filed, at the end of 2008, a claim before the Hyderabad City Civil Court, against SMPCL and VEIPL

Demands: to date the transferors have filed three payment demands against VEIPL:

1. Regarding the disputed retention following the acquisition, for a total amount of EUR 0.3m (at 31/12/2016 closing rate), corresponding to EUR 0.2m as per the share purchase agreement and additional EUR 0.1m of interest from 01 January 2007 to 15 November 2009, date of the filing of the suit. (Amounts stated at closing rate, interest rate of 18% per year claimed until the payment).
2. Regarding the payment of receivables, for a total amount of EUR 0.5m (at 31/12/2016 closing rate), corresponding to EUR 0.4m of principal and EUR 0.2m of interest from 1st April 2006 up to the filing of the suit. (Interest rate of 24% per year until the payment).
3. A new demand has been filled in January 2012 by the transferors against VEIPL and the new shareholders of SMPCL. The transferors are denouncing a delay in the substitution

of their personal guarantees given to the creditors which financed the construction of the biomass plant. They are claiming EUR 0.1m (at 31/12/2016 closing rate) plus interest. The Group considers this demand as frivolous, such as the other claims and has not made any additional provision.

These three litigations are currently still ongoing.

The Group strongly contests owing these amounts. These procedures are still pending before the concerned Courts of the State of Andhra Pradesh. The existing provision amounts to EUR 0.9m at 31 December 2016 and represents the major part of the claim raised. Besides, following the acquisition of SMPCL, the Group discovered different elements justifying the involvement of liability guarantees of the transferors, including a large difference in biomass stock established during the physical inventory, and litigations discovered after acquisition. Following the failure of the pre-litigation that began in 2006, the group may initiate appropriate proceedings to recover these due amounts. Given the low level of solvency of the transferors and the length of the Indian legal procedures, no receivables against these sellers had been booked in the accounts.

Note 11 – Other non-current liabilities

These pertain to advances received regarding Bio-mass litigations in India of which the reimbursement is subject to certain conditions.

Note 12 – Trade and other Payables

Suppliers and other creditors are detailed as follows:

In thousands of euros	31.12.2016	31.12.2015
Suppliers	539	462
Debts on acquisition of fixed assets (1)	184	145
Others	56	103
Total	**778**	**711**

(1) Those amounts corresponds mainly to the remaining debt, not paid so far since conditions are not met as per the contracts, to the sellers of Quebra Dedo concession.

Note 13 – Other current liabilities

These are mainly tax and social debts.

Note 14 – Business Segment

In accordance with the Group's management and internal reporting rules, business segment is presented per geographical area.

31.12.2016 *In thousands of Euros*	Europe	South America	Middle East & Africa	Asia	Total
Income Statement					
Turnover (1)	-	3,650	-	-	**3,650**
Current operating profit	(1,497)	1,973	(3,856)	(3,288)	**(6,668)**
EBITDA (2)	(1,237)	2,753	65	(1,810)	**(230)**
Net Income (Group Share)	(1,287)	1,151	2,869	(4,091)	**(1,358)**
Intangible assets	1,210	2,701	1	12,639	**16,551**
Tangible assets	-	12,601	2	290	**12,893**
Depreciation, Amortization & Provisions	(245)	(780)	(3,905)	(1,496)	**(6,425)**

31.12.2015 *In thousands of Euros*	Europe	South America	Middle East & Africa	Asia	Total
Income Statement					
Turnover (1)	-	3,469	-	-	**3,469**
Current operating profit	(1,027)	938	(1,710)	(2,366)	**(4,165)**
EBITDA (2)	(1,001)	1,746	4,464	(2,556)	**2,654**
Net Income (Group Share)	(907)	95	6,946	(1,246)	**4,888**
Intangible assets	1,418	2,267	3,136	12,751	**19,572**
Tangible assets	6	10,567	5	309	**10,887**
Depreciation, Amortization & Provisions	(155)	(813)	(2,263)	(597)	**(3,828)**

(1) More than 10% of the turnover is coming from three clients

(2) The EBITDA corresponds to Earnings Before Interest Taxes, Depreciation and Amortization

In 2016, Velcan SA is the sole entity included in European Geographical area.

The turnover per activity is as follows: EUR 3.7m for hydro sales.

Note 15 – Consumed purchases

Those amounts correspond essentially to MRE payments in Brazil for EUR 0.3m in 2016 (EUR 1.0m in 2015) (page 6).

Note 16 – External expenses

External expenses include audit fees as detailed below as well as management fees paid to Luxembourg Hydro Power S.A. for a total amount of EUR 0.5m (refer to note 23), investment management fees of EUR 0.3m, general subcontracting costs of EUR 0.3m, rental charges of EUR 0.1m, repairs and maintenance of EUR 0.1m and legal and professional fees of EUR 0.07m.

In thousands of Euros	31.12.2016	31.12.2015
Annual accounts auditor fees (BDO)	89	81
Annual accounts auditor fees (others)	2	2
Other audit fees (others)	-	2
Total	**91**	**84**

Note 17 – Employee expenses

Total average number of employees

Number	31.12.2016	31.12.2015
Engineers and executives	23	28
Office workers and Manual workers	15	17
Average registered number of employees	**38**	**45**

Key management personnel compensation
In thousands of Euros

- short-term employee benefits (1):	883
- post-employment benefits	NA
- other long-term benefits	NA
- termination benefits	NA
- share-based payment benefits (2)	NA

(1) Employment benefits for key management personnel / Board Members

(2) Gain on exercise of stock-options or equity warrant by key management personnel / Board Members

Note 18 - Depreciation and provisions

In thousands of Euros	31.12.2016	31.12.2015
Intangible assets		
Amortization	(144)	(150)
Provision allowance (1)	(5,628)	(3,096)
Write Back on provision/Disposal	-	124
Total Intang. Assets	**(5,772)**	**(3,122)**
Tangible assets		
Depreciation (2)	(653)	(706)
Provision allowance	-	-
Write Back on provision	-	-
Total Tangible Assets	**(653)**	**(706)**
Other prov. and dep. (net)		
- other operating Exp., liabilities	-	-
- liabilities and charges	-	-
Total other	**-**	**-**
Total amort., dep. and prov.	**(6,425)**	**(3,828)**

(1) Corresponds essentially to provisions/depreciations on Indonesian capitalized project costs

(2) Corresponds essentially to the depreciation of the Rodeio Bonito concession

Note 19 – Other operational income and expenses

In FY 2015, it corresponds mainly to the net gain on Laotian projects disposal.

Note 20 – Net cost of debt and other financial income and expenses

In thousands of Euros	31.12.2016			31.12.2015		
	Income	Expense	Total	Income	Expense	Total
Profit (+) / Loss (-)						
Net Change in Fair Value on FI*	1,466	-	1,466	1,555	-	1,555
Interest & dividends Income (Expense) on FI	2,372	-	2,372	2,564	-	2,564
Other result from FI	273	(343)	(70)	92	(581)	(489)
Result from cash and cash equivalents	332	-	332	184	-	184
Foreign currency translation gains/Losses	2,147	(384)	1,763	3,982	(1,177)	2,805
Total financial result	**6,590**	**(727)**	**5,863**	**8,376**	**(1,757)**	**6,619**

*FI: Financial Instruments

Net change in fair value on financial instruments includes unrealized foreign exchange differences on those instruments.

Note 21 – Earnings per share

The calculation of earnings per share is detailed below:

	31.12.2016	31.12.2015
Net earnings (in thousands of euros)	**(1,265)**	**4,936**
Weighted average shares in circulation (1)	5,985,053	5,976,083
Earnings per share (in euros)	**(0.21)**	**0.83**
Weighted average of convertible instruments converted into ordinary shares (2)	6,117,573	6,216,460
Diluted earnings per share (in euros)	**(0.21)**	**0.79**

(1) After deduction (addition) of weighted average treasury shares depending on their date of acquisition (Sale)

(2) After addition of weighted average impact of convertible instruments (Stock-Option and equity warrant) existing as of December 31st, 2016

Note 22 –Off balance sheet commitments

1) Guarantees given by Velcan Renewable Energy Pvt. Ltd. to the buyers of RPPL Biomass plant, following the sale finalized in February 2010, as part of the sale agreement.

   Those commitments include (other guarantees given have expired or are no more relevant due to closing of the cases):

   i) Specific guarantee linked to a claim between RPPL and one of its supplier, limited to INR 11m (EUR 0.2m)

   Whatever guarantees that were given to RPPL buyers at time of acquisition, the Group is contesting all the related claims from third parties (suppliers and clients mentioned above). To date it is not possible to assess whether those guarantees will be triggered or not.

2) Guarantees given by Velcan Renewable Energy Pvt. Ltd. to the buyers of Velcan India Pvt. Ltd., as part of the sale agreement and related to SMPCL sale.

   Those commitments include (other guarantees given have expired or are no more relevant due to closing of the cases):

   i) Specific guarantee linked to litigation between SMPCL and one of its contractors, with no limited amount (EUR 0.2m claimed, before interest).

   The guarantee regarding specific litigations related to SMPCL, VEIPL and the earlier owners of SMPCL was provisioned directly in the books by Velcan Renewable Energy Pvt. Ltd. (see note 10 (1) above, worst case scenario risk estimated at EUR 0.8m)

   Whatever guarantees that were given to SMPCL buyers at time of acquisition, the Group is contesting all the related claims from third parties (suppliers and clients mentioned above). To date it is not possible to assess whether those guarantees will be triggered or not.

3) The Company has pledged a bank deposit for a total amount of USD 1,660,000 (converted as at 31 December 2015: EUR 1,577,167.18) to guarantee for commitments of a Board member towards the bank (amounting to EUR 1,125,000).

4) Pledge of assets: due to derivative contracts taken by the group, assets held at Societe Generale Bank & Trust Luxembourg (EUR 8m) are pledged to cover the derivative instruments risks.

5) The Group has committed to honor a contract in India with one of its supplier relative to Pauk TEC and amounting to EUR 0.1m.

Note 23 – Related party transactions

In the context of the pledge mentioned in Note 22 - 3), 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.

Key management personnel compensation is given in note 17 above.
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 (2015: EUR 470,240), has reimbursed travel expenses to Luxembourg Hydro Power S.A for EUR 76,509 and has accounted for an expense of EUR 112,655 related to equity warrant plan granted in 2013.

Note 24 – Financial risks factors

The Group's activities expose it to a variety of financial risks: Market risk (including currency risk, interest rate risk and other price risks) credit risk and liquidity risk.

The Group's overall risk management programme seeks to identify the risks to mitigate them.

All securities investments present a risk of loss of capital. The maximum loss of capital on purchased option, long equity and debt securities is limited to the fair value of those positions. The maximum loss of capital on written put options, long futures and forward currency contracts is limited to the notional contract values of these positions.

The management of these risks is carried out on a weekly basis.

The methods to measure and manage the various types of risk to which it is exposed are weekly reportings, market analysis, company counterpart's reports and financial statements analysis, profit and loss taking policies.

1. Market risk

(a) Other price risks

The Group is exposed to a market risk relating to the fair-value of financial instruments. Where non-monetary financial instruments are denominated in currencies other than EUR, the price initially expressed in foreign currency and then converted into EUR will also fluctuate because of changes in foreign exchange rates.

The "Foreign exchange risk "paragraph above sets out how this component of market risk is managed and measured.

The Group's policy is to manage price risk through methods mentioned above.

The Group's exposure to price risk is relating mainly to equities, bonds and derivatives; the total exposure related to securities and derivatives is as follows:

Financial instruments through profit and loss

Thousands of Euros	Opening 31.12.2015	Net acquisitions & Disposals	Change in accrued interests	Foreign Currency Translation	Change in fair value (P&L)	Closing 31.12.2016
Level 1	34,773	10,093	353	49	2,654	47,922
Level 2	6,312	- 4,148	-	-	- 350	1,814
Total assets	**41,085**	**5,946**	**353**	**49**	**2,304**	**49,737**
Level 2	- 90	60	-	-	- 85	- 116
Total liabilities	**- 90**	**60**	**-**	**-**	**- 85**	**- 116**
Net assets & liabilities	**40,995**	**6,005**	**353**	**49**	**2,219**	**49,621**

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

A quoted market price in an active market provides the most reliable evidence of fair value and is used without adjustment to measure fair value whenever available, with limited exceptions.

Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 2 inputs include:
- quoted prices for similar assets or liabilities in active markets
- quoted prices for identical or similar assets or liabilities in markets that are not active
- inputs other than quoted prices that are observable for the asset or liability, for example
    - interest rates and yield curves observable at commonly quoted intervals
    - implied volatilities
    - credit spreads
- inputs that are derived principally from or corroborated by observable market data by correlation or other means

Financial instruments classified as level 1 are only quoted instruments on active market.

The fair value of financial instruments classified as level 2 is measured on the basis of recent transactions prices.

The effect of a 10% increase in the value of these financial instruments held at the reporting date would, all other variables held constant, have resulted in EUR 4.8m of fair value gain in the net income and net assets.

A 10% decrease in their value would, on the same basis, have decreased the net income and net assets by the same amount.

(b) Foreign exchange risk:

The Group operates internationally and holds both monetary and non-monetary assets denominated in currencies other than EUR, the functional currency. Foreign currency risk arises as the value of future transactions, recognized monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price not foreign currency risk.

Net monetary exposure to currencies is as follows:

• US Dollars (USD)	90%
• Euros (EUR)	8%
• Others	2%

As of 31 December 2016, no hedging has been taken on the asset conversion risk nor on risk of conversion of past or future income.
The turnover is highly sensitive to the EUR/BRL rate due to Rodeio Bonito’s operations in the Brazilian local currency.

The following sensitivity analysis, including monetary and non-monetary items is symmetric in the cases of rise and fall of the rates:

		Impact (k€)	
Forex Risk	Variation	**Turnover**	**Comp. income**
EUR/BRL	10%	365	2214
EUR/USD	10%	0	12439
EUR/SGD	10%	0	379
EUR/IDR	10%	0	18
EUR/INR	10%	0	969

(c) Interest rate risk:

The Group has invested in listed bonds and equities and as such, is exposed to an interest rate risk. An increase in interest rates would have an impact on prices.

The total fair value of these financial instruments as of 31 December 2016 amounts to EUR 47.8m.

2. Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, investment in bonds, as well as outstanding receivables and committed transactions.

The group has invested in an extremely diversified array of financial assets including mostly : corporate and government bonds in local and reserve currencies, equities, derivatives, direct lending and private equity investments.

In 2016, the group main investments have been in corporate bonds. The exposure has gradually increased from EUR 28.9 m at the beginning of the year to EUR 46.0 m at year end. The group is mainly exposed to issuers in the BBB and BB categories (as defined by Standard's and Poor). The maturities span a wide range. Although the majority is less than 6 years, some bonds have more than 30 year maturities. A few are of perpetual nature. In 2016 the group invested in majority in USD bonds, from issuers coming both from developed markets and emerging markets. At year end the biggest lines of the Group are with the following issuers : JBS (Brazil), Ethias (Belgium), Atradius (Netherlands/Spain), Eksportfinans (Norway), Olam (Singapore), Zurich Insurance (Switzerland), Bluescope Steel (Australia), Israel Electric Corp (Israel), Areva (France). These bond investments have performed very well in 2016. The Group has invested in bonds since 2008 and has proved a good way to enhance the profits of the Group so far. The Group has only suffered one default (OI/Brazilian telco operators) in its history of bond investments. This default has costed the group EUR 0.3 m. This loss is materially less that the extra gain that the group has derived from investing in bonds compared to staying in cash. The fact that the Group has suffered little from defaults in the past is no predictor that it will not do so in the future. The level of spreads has decreased a lot recently and offers less downside protection than before.

As of December 2016, the Group had also investments worth EUR 2.6m in Private Equity and direct lending. These investments are mostly in the shipping sector. Given the recent poor performance of this sector these investments have contributed negatively to the performance of the Group in 2016. The Group is actively monitoring these investments to try to maximize their value.

As of December 2016, the Group had investments worth EUR 1.9 m in listed equities.

Finally a significant part of the treasury of the Group was kept as of December 2016 in cash or cash equivalents.

3 Liquidity risk

As the Group is mainly funded through equity and has significant cash positions, the liquidity risk is considered not material.

Note 25 – Events subsequent to 31 December 2016

In February 2017, Meureubo 2 project has obtained the Forest Land Use Permit, a critical step in the development of the project.

In March 2017, Velcan has won a favorable decision in the first court degree regarding the Ensured Energy Mechanism in which Rodeio Bonito is taking part.

APPENDIX 4
Half-yearly report 30th June 2019
Unaudited

Half Yearly Report

And Consolidated Financial Statements

(Condensed and Unaudited)

30th June 2019

Velcan Holdings S.A.

RCS Luxembourg B145006

Euronext Growth - ALVEL

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SUMMARY

I - MANAGEMENT REPORT

1. ABOUT VELCAN

Velcan Holdings is a Luxembourg headquartered investment holding company founded in 2005, operating as an independent power producer in India and Brazil and managing a global portfolio of financial assets.

The company owns and operates a 15MW hydro power plant in Brazil that it developed and built in 2009. Its major power project under development is a cascade of hydropower concessions located in India and totaling 571 MW.

Hydropower concessions provide long periods of cash generation but their development outcome is uncertain and many years are needed to bring these projects to maturity in emerging countries : it involves field studies in remote places, the assessment of many different environmental and technical parameters, obtaining the necessary authorizations and permits and conducting the land acquisition in political and regulatory environments that can be unstable or heavily hampering.

Hydropower development requires the prospection of a large portfolio of projects because only a few ones will eventually present competitive techno-economic parameters combined with low environmental impacts and will manage to obtain all the required approvals and permits. As of today, the Group has brought to an advanced stage of development two Indian projects, forming a tandem of 426 MW which present attractive technical and economical features. With these projects, the Group is expecting to take advantage of the promising long term perspectives of the Indian economy and its electricity demand.

Meanwhile Velcan Holdings actively manages its treasury, investing in listed and unlisted financial investments. As of 30th June 2019, 18% of the assets of the group are deployed in power projects or plants, 82% in listed and unlisted financial investments, and cash and cash equivalents (bank current accounts and deposits).

Velcan Holdings' headquarters are in Luxembourg, with administrative and financial offices in Singapore and Mauritius. The operational team dedicated to the development of the Indian hydropower cascade is based in New Delhi and at the project site (Arunachal Pradesh), and the team dedicated to the Rodeio Bonito plant is based in Sao Paulo and Chapecó.

2. H1 2019 KEY FIGURES (unaudited)

Non Audited Consolidated Financial Data
in Million Euros

	30.06.2019	30.06.2018	Var %
§ Turnover Half Year	1.4	1.2	+9%
§ EBITDA Half Year	-0.6	-0.4	-57%
§ Net Result Half Year	3.6	1.2	+186%
	30.06.2019	**31.12.2018**	**Var %**
§ Cash & Financial assets	101	98	+3%
§ Market Capitalization	50	46	+8%
§ Cons. Equity	121	118	+3%
Issued shares less Treasury shares (in Thousands)			
§ Net outstanding shares	5,691	5,813	-2%

	POWER PROJECTS PORTFOLIO UPDATE	30/06/19	30/06/18
GLOBAL	Portfolio of concessions and production facilities.	586 MW	629 MW
BRAZIL	Hydroelectric plant in operation	15 MW	15 MW
BRAZIL	Projects under development	0 *	43 MW *
INDIA	Projects under development.	571 MW	571 MW

* The entire Brazilian portfolio of projects under development was already fully impaired as of 31/12/2017. The decrease of the Brazilian portfolio comes from the withdrawal from the portfolio of Pirapetinga (23MW) and Ibituruna (20 MW) decided by the Group. These two projects were already fully impaired, not active and considered non feasible.

3. IMPORTANT EVENTS AND ACTIVITY OVER THE PERIOD

H1 2019 key figures comments

Velcan Holdings' turnover in the first half of 2019 (H1 2019) amounted to EUR 1.4m arising from sales of electricity by the Rodeio Bonito Hydro Power Plant (HPP) in Brazil. It was up by 9% when expressed in Euros and up by 15% when expressed in BRL relative to H1 2018.

Consumed purchases in Brazil amounted to EUR 0 m for H1 2019 compared to EUR -0.1m during H1 2018.

Operating costs were down relative to H1 2018 (EUR -2.0m for H1 2019 compared to EUR -2.1m for H1 2018). Depreciation, Amortization & Provisions were up (EUR -0.6 m for H1 2019 vs -0.4 m for H1 2018).

Other operating income amounted to EUR 0 m for H1 2019 vs EUR 0.5m in H1 2018 where it mostly related to the sale of a hydro asset in Indonesia. As a result, operating result was lower (EUR -1.2m) compared to H1 2018 (EUR -0.8m).

Net financial income for H1 2019 was EUR 4.9m vs. EUR 2.1m in H1 2018 mainly due to the performance of the Group's financial assets and to the appreciation of the US dollar vs the Euro as most of the Group's financial investments and cash are invested in US dollar. The FX realized and unrealized gain was EUR 0.5m vs EUR 1.8m in H1 2018, while the financial gain excluding FX was EUR 4.3m against EUR 0.3m in H1 2018. As mentioned earlier and as detailed in this report, the majority of the financial assets of the Group are Bonds.

Net result, Group share, was therefore a gain of EUR 3.6m vs. a gain of EUR 1.3m in H1 2018.

Group other comprehensive income amounts to EUR 0.4m in H1 2019 vs -2.0 m in H1 2018, mostly due to the depreciation of the Euro compared to the Brazilian currency (-2%) and the Indian Rupee (-2%) and its impact on the Group conversion reserves where the assets held in foreign currency in Brazil (Rodeio Bonito) and India are translated into Euro. The Group total comprehensive income for H1 2019 amounts to EUR 3.9m.

Shareholders equity amounts to EUR 121.3m as of 30th June 2019 vs. EUR 118.2m as of 31st December 2018 (EUR +3.1 m) mostly due to the positive comprehensive income during H1 2019 (EUR 3.9 m), the acquisition of own shares (EUR -1.3 m of negative impact on the shareholders equity) and the distribution of free shares to employees (EUR +0.4 m of positive impact on the shareholders equity).

The Company has conducted a share buyback program between the 13th September 2018 and the 15th May 2019 during which it has completed the purchase of 254,128 shares, at a weighted average price of EUR 7.92 per share and for a total amount of EUR 2,011,551 in accordance with the description of the share buyback program published on September 13th, 2018 and the resolutions of the General Meetings of Shareholders held on June 28th, 2017 and July 28th, 2017. 159,335 shares were acquired during H1 2019 out of the 254,128 shares. All the 254,128 shares bought back were cancelled accordingly on 8th August 2019 through a capital decrease.

37 200 shares were distributed to employees in early 2019 (the cost of which was already booked in 2018 accounts).

The number of 590,997 Treasury shares as of 30th June 2019 has increased as compared to 31st December 2018 (468,862 own shares) due to the above mentioned program and despite the distribution of 37 200 shares to employees. The net number of outstanding shares as of 30th June 2019 is 5,690,970. However, 451.147 treasury shares were cancelled in August 2019 (see "important events since June 30th 2019").

Brazil - business and main events during H1 2019

The production of 37,600 MWh during H1 (against 23,740 MWh in H1 2018) was satisfactory and above Rodeio Bonito's ensured energy[1].

This reflects better precipitation levels in Brazil in 2019 as compared to the low precipitation levels in Brazil in 2018.

This resulted in an overall MRE system (Energy Reallocation System) not in deficit in H2019, for the first time since 2014. It resulted in a slightly positive result of BRL +45k in H1 2019 (compared to BRL -0.2m for H1 2018) for the Rodeio Bonito plant. Translated in Euros, the consumed purchases (Mainly constituted by MRE) were not impacted in H1 2019, while they amounted to EUR -0.1m in H1 2018, and to EUR -0.4m for the full year 2018. .

The MRE impact during H2 2019 will depend on national precipitation levels until the end of the year.

The operation and maintenance of Rodeio Bonito are satisfactory with a technical availability of 98.5% during H1 2019 against 95% for H1 2018.

Electricity sale prices in the spot market continued to rise, benefiting to the plant for the part of its the power sold on such market. Due to these combined effects, and despite a negative forex variation (-5% for the average rate used in the translation of the result from BRL into EUR between H1 2019 and H1 2018), the turnover has increased by 9% when expressed in Euro and by 15% when expressed in BRL during H1 2019 (EUR 1.4m or BRL 5.9m) compared to H1 2018 (EUR 1.2m or BRL 5.1m).

The EBITDA (earnings before interests, taxes and amortization) of the plant amounted to BRL 4.7m against BRL 3.7m in H1 2018. When converted in EUR, the EBITDA was up to EUR 1.1m vs 0.9m in H1 2018.

India - business and main events during H1 2019

In India, the Group continued to develop the hydroelectric concessions obtained in 2007 in the State of Arunachal Pradesh.

For the hydroelectric tandem Heo-Tato-1 (426 MW), the feasibility studies have been completed and all the three major authorizations have been obtained in 2015: Techno-Economic Clearance (TEC – sanctioned by the Central Electricity Authority - CEA, Ministry of Power), Environmental Clearance and Forest Clearance, each granted by a different department of the Ministry of Environment and Forest (MOEF). Very few privately held greenfield projects have reached such level of development in Arunachal Pradesh – and in the Indian Himalayas. Since late 2015 the Group is focusing on the project main next steps as described below.

[1] In Brazil, « guaranteed energy » or « ensured energy » means the annually marketable energy as approved by MME – Ministério de Minas e Energia (Department of Mines and Energy) and guaranteed through the Brazilian power system for power plants opting for the MRE (Energy reallocation Mechanism), mechanism functioning at national scale, even if the production is impacted by a bad hydrology some years. This mechanism covers the hydrological risk in case some Brazilian areas are experiencing drought, whereas other areas are experiencing heavy rains. The guaranteed energy is usually sold through mid-term fixed inflation-linked contracts. However this mechanism does not cover the risk of a national drought across Brazil which results in an overall MRE system in deficit. In this case, the Rodeio Bonito plant EBITDA could collapse drastically as all participants of the MRE system will have their guaranteed energy reduced proportionally to the overall deficit. In this case the plant has to purchase electricity in the spot market to compensate for its generation deficit, called MRE payments as consumed purchases.

- Post TEC technical investigations and studies

Most post TEC field studies and investigations at site required at this stage by Central Electricity Authority have been already completed between 2016 and 2017. The detailed tender design level topographical surveys of project components (power houses and intake areas) and internal project roads has been completed for Heo HEP and Tato-1 HEP intake site and roads as of May 2017. The detailed topographical survey of the Tato-1 HEP power house and adit sites could still not be completed because the suspension bridge destroyed in 2017 has still not been rebuilt, leaving the concerned sites inaccessible as of date. Sedimentation studies initiated in April 2016 have been completed. For the past 12 years hydrological measurements have been conducted. The Group has now completed a dependable and detailed set of studies and investigations which will bring the Projects to the main next technical step, the tender level design.[2] It will start along with the beginning of discussions with power purchasers and EPC contractors, when the projects will move towards financial closure.

- Amendment of the Concession Agreement

Following the TEC, which has frozen the installed capacity of the projects to 426 MW, the Group has engaged the process for amending the concession agreement in order to amend such installed capacity (which was previously 380 MW). The negotiations with the Government of Arunachal Pradesh cover several matters such as a new implementation timeframe for the projects, the administrative fees related to the execution of the new concession agreement, a minority equity participation requested by the Government of Arunachal Pradesh (GOAP), and the final quantum of free power due to GOAP once the project will be commissioned. The current concession agreements where executed in 2007 and amended in 2009 following the first increase of capacities.[3] Discussions have been pending for more than 3 years. In view of recent meetings, a new round of negotiations is expected to take place by the end of the year.

- Land acquisition

Under the concession agreement and applicable regulations, the land is to be acquired by the State government and then leased to the project developer. Due to the absence of land registry in tribal areas and to the complexity of the applicable regulations, this remains one of the major challenges. The procedure involves notably a social impact assessment, public hearings and consultations, public consents for acquisition of the land, field surveys, administrative ownership surveys and rehabilitation/resettlement plans.

In June 2016, the Group has submitted applications to the Deputy Commissioner of the West Siang District, Arunachal Pradesh in order to initiate the acquisition of the land required for Tato 1 and Heo HEPs. A Notification has been issued by the Commissioner, Land Management, GoAP in February 2017 appointing the Rajiv Gandhi University, Itanagar, Arunachal Pradesh as Social Impact Assessment unit. The Notification of the start of the Social Impact Assessment (SIA) has been issued by the Government on 3rd August 2017, and first onsite site surveys and interviews of the local public by the SIA Team surveys have been conducted in September 2017. The SIA and Social Impact Management Plan (SIMP) draft reports have been completed and submitted to the district administration on 26th December 2017. The public hearings required by the regulations in order to discuss the SIA and the SIMP with the local public have been held in all the 8 concerned villages on 23rd and 24th of January 2018. During the hearings, the local people have expressed their support in favor of the projects, and expressed their concerns notably about the future influx of a migrant population of workers during construction. The SIA

[2] for Tato-1 power house it will be the case when the aforementioned bridge is rebuilt and detailed topographical survey completed.

[3] As per such agreements the plants' construction was to be started within 4 years after their execution (being 2013) and the plants were to be commissioned within 7 years after their execution (being 2016), failing which the concessions can be terminated. However the agreements provide that these periods should be extended in case of force majeure and delays for reasons non attributable to the developer.

unit has concluded the projects entail more benefits than costs and has submitted the final SIA and SIMP reports to the State Government on 2nd February 2018.

Such SIA & SIMP reports have been reviewed by the Expert Group (an independent body appointed by the Government on 14th February 2018), which assesses the costs and benefits of the project and its public purpose. The Expert Group has held a meeting on 29th March 2018 and has issued its recommendation to the State Government, in favor of the acquisition of the Project land.

Meanwhile, the District Administration has initiated the procedure to establish the land revenue registry and to collect the consent of at least 80% of the land owners through a prefectural decree dated 21st March 2018. This implies a negotiation between the Government and the affected populations for the establishment of a list of owners and the determination of the quantum of land which belongs to each owner (land revenue registry), so that the financial compensations can be distributed amongst the owners. Considering a significant part of the land is disputed between clans or within the same clans, in particular in the Heo Project land, the Group expects this procedure to take time. Following site surveys and meetings conducted on 28th April, 9th and 10th May 2018, the District Commissioner has issued preliminary reports starting to identify clan wise collective ownership of the different land parcels. These reports are incomplete as they do not yet list individual ownerships and sometimes list several clans on single parcels without any breakup between the concerned clans. They recorded 32% of Heo HEP sites and 4% Tato-1 HEP sites as under dispute and the Group believes these preliminary reports do not yet take into account all existing claims and disputes. Claims can be registered later during the course of the process and the Group also foresees that it is likely that more claims will be presented, notably before the establishment of individual ownerships or allocation of shares of financial compensations (for the complete land owners registry). Due to the above insufficiencies, the District Administration has undertaken to establish an improved revised list which was issued on 28th January 2019. The new list has detailed project component areas per land owners / claimant and mentioned when ownership is recorded on behalf of clans (community land). However the disputes have not been cleared in such list, and it is still likely more claims will arise at the time of financial awards to be made by the State Administration.

Based on this second list, the District Administration issued on 15th February 2019 the notice calling for the meetings of the Gram Sabhas (11 village councils) and Affected Land owners (18 clans registered in the above mentioned list). The meetings have been held on 11th and 12th March 2019. All the 9 village councils have voted their consent to the acquisition of land for the development of the projects. 85% and 83% of the Land owners have individually given their consent in the Heo and Tato-1 projects respectively, thereby fulfilling the legal requirement of 80%. On 13th March 2019, the District Commissioner issued its report to the State Government Land Department in view of issuance of Section 11 notification. Such notification validates the procedure previous steps (SIA, hearings, etc.), acknowledges the consent of the land owners and approves that the land is to be acquired for the Projects. As per the applicable regulations, the State Government was bound to issue the Section 11 notification by 27th March 2019 (within 12 months following the Expert Group recommendation). However, due to the preparation of local elections due in April 2019, and the applicability of the Code of Conduct during such pre-elections period (which prevents the Government from undertaking anything else than day to day current affairs), the State Government has issued in late March 2019 an extension of time until 26th September 2019 for issuance of the Section 11 notification.

Such notification was duly executed by the State Government on 26th September 2019, acting the State Government decision to acquire the required land (totaling 107.20 Ha) for public purpose, based on the successful completion of the first phase of the acquisition procedure. It prevents any other land related transaction to take place and triggers the next steps of the procedure.

The Group is supporting, to the best of its legal and technical capabilities, this process. The administrative procedure is being monitored closely to ensure a proper coordination with the government authorities, and the preservation of the local owners' rights and privileges. Well aware of its corporate and social responsibility, the Group tries to ensure that the local population and the owners are well informed with the procedures and the project, that any potential negative impact is or will be mitigated and compensated. This task is not easy and its result not guaranteed because in some situations there can be divergent interests at stake when considering the numerous parties involved, both public or private. As an example the Group has a dedicated team undertaking actions on a regular basis such as local awareness campaigns, CSR activities and logistical support for the land acquisition related activities or other works conducted at the project sites.

Obtaining the land owners' consent, is a major milestone in the land acquisition procedure, although it does not yet resolve the land registry disputes.

The State Government will now have to initiate another set of surveys and complex procedural steps such as notably a detailed and individual census of affected families, the marking of individual land boundaries, the hearing of individual objections, the preparation and publication of Rehabilitation & Resettlement plans (Section 19), the public hearings on such plans, the issuance of financial awards (Sections 23 and 31) and the physical possession of the Land (Section 38).

One of the sensitive steps of the procedure will be to award financial compensations as it should require the State Government to determine precisely the land revenue registry and /or to settle the disputes.

As currently experienced with the Pauk HEP, and earlier with Heo and Tato-1 HEPs, in practice the physical access to the land to perform site works can be difficult and even impeded despite desk surveys and administrative decisions, which are often weakened by the lack of Law and Order enforcement.

As per our knowledge it is the first time the State Government acquires land under this new Land Acquisition Act (2013) and the procedure is complex. The Group's teams are in daily contact with the concerned authorities and actively supports and follow-up the procedure.

- Road infrastructure requirements

The public roads leading to the project sites are undergoing an upgrade of bridges and widening of roads program, that will, once completed, allow the transportation of construction and electrical & mechanical equipment. The last 87 Km of road (under the Ministry of Defense) leading to the Projects sites were initially scheduled to be ready between 2020 and 2022. However, as per the information gathered by the Group's local team, for most of the concerned stretch, the feasibility and technical studies (DPR – Detailed Project Report) have not yet been awarded to engineering firms. That practically means the entire process remains pending : technical studies, field surveys and investigations, preparation of DPR in accordance with National Highway Double Lane road standards, approval of DPR by appropriate Ministries (Roads and Transport or Ministry of Defense), Forest Clearance, detailed designs, sanction of budgets, call for tenders from contractors and finally at least 3 years of construction work. Unless there is a change of plan or new measures to fasten the studies and the construction, it is likely these road will not be ready before 2024 or 2025. A joint survey was conducted in November 2016 between Velcan's Team and the Border Roads Organization (BRO/Ministry Of Defense) in order to assess what parts of the concerned stretches are critical to the Group's projects in view of making sure the BRO would have them ready earlier. Following several joint meetings under the umbrella of the Ministry of Power (MoP, Govt. of India), MoP has submitted a request to the Ministry of Defense for that purpose. Tentative budgets for undertaking some works in advance have been prepared by the Ministry of Defense in November

2017 and February 2018 but have not yet been sanctioned. There has been no progress on this particular attempt since then. However, the new hydropower policy published on 7th March 2019 provides for budgetary support to be granted to hydropower projects for road infrastructure development, which may help in the future to speed up road works completion (see below the details on this policy). The Group has been contacted in September 2019 by the Government of India "*Task Force for consolidating the National infrastructure pipeline*" in order to furnish technical data on its project's road requirement.

- Forest Clearance

The issuance of the Forest Clearance stage 2, which allows to physically take over the forest land (subject to land acquisition by the Sate Govt. being complete), is subject to the fulfilment of some conditions (in addition to the land acquisition). The Forest Clearance stage 1 issued by the Ministry of Environment and Forests (MOEF, Govt. of India) notably requires the State Government to identify additional compensatory afforestation land (land where forest is to be replanted) of 7 Ha for Heo HEP and 12 Ha for Tato-1 HEP. The State Government has proposed to the Ministry a piece of land in April 2016, which has been rejected in January 2017 as inappropriate for afforestation purpose by the MOEF. Further, the State Government clarified in November 2017 that an area of 8.4 Ha is consisting of rocky area and that an adjoining area can be utilized for required compensatory afforestation plantations for Tato-I & Heo projects. MOEF has requested additional technical clarifications in May 2018. In April 2019, the State Government has finally clarified to the MOEF all pending issues, and sent the report on compliance of stage 1 clearance.

On a separate matter, in view of some technical layout adjustments required for one access road and several quarry sites, the Group submitted in June 2017 an application for the approval of such changes which will amend some of the technical features and maps of the Stage 1 Forest Clearance. The applications have been forwarded by the Divisional Forest Officer (DFO) in February 2018 and by the Chief Conservator of Forest (CCF) in April 2018 for both projects. The State Government has recommended the amendment for the Tato-1 HEP in June 2018 and for the Heo HEP in November 2018 and forwarded the case to the Ministry of Environment and Forests for final approval

As part of this revision of the forest land layout maps, the revision of the entire procedure under the Forest Right Act (FRA) also had to be conducted. This regulation aims at ensuring forest dwellers and tribal populations are agreeable to the project in their area and that their traditional rights are preserved (such as fishing rights or use of timber for example). It involves multistage collegial approvals by different local authorities, from the village councils (approved in March 2018) to the State level district committee (in July 2018). The final compliance certificates have been issued for both projects on 31st July 2018 by the State Government. The renewed support of the local population is instrumental to the Group and the future of the projects. It materializes the results of the Group's CSR activities, its local presence on the field, and the team constant interaction with local people.

Based on all required above submissions by the State Government, the Forest Advisory Committee meeting - the expert body in charge of forest related approvals at the MOEF - has been conducted on 22nd May, 2019 and, directed to the Regional Office of MoEF to visit the project sites and to submit the detailed report to the Ministry on the proposed changes. The site visit is scheduled between late October 2019 and the first half of November. Thereafter the Regional Office will forward its report to the central MoEF for final approval.

- Availability of bankable Power Purchase Agreement(s)

The sale of hydroelectricity is facing several challenges. Whereas solar and wind power have benefited both from a well-defined tariff based bidding procurement procedure and a political willingness to increase installed capacities for a long time, hydropower PPAs remain to be signed under a bilateral MOU route with a post commissioning tariff approval by state regulatory commissions. The lack of clarity of such procedures is one of the factors dissuading DISCOMS to sign long term hydro PPAs. For example the present procedure leaves the sensitive question of cost-overruns bearing widely opened, and DISCOMS do not want to carry such risk given the potential cost overruns faced by hydropower projects.

In addition, solar and wind tariff have fallen dramatically over the past years with some auctions touching as low as Rs 2.50 per unit in 2018, whereas most competitive hydro power projects are often more significantly more expensive, although their lifespans makes them cheaper on the long term. A hydropower concession sells power for 40 years, after which the plant is handed over for free to the state and still has decades to run. This longevity advantage is not computed in the tariff of the initial power purchase agreements as per the applicable regulation. Although hydropower does not compete directly with solar power because it sells very long term, predictable and peak power the overall market is impacted by solar and wind tariffs. As a result of these low solar and wind power tariffs, coupled with the current Renewable Power Obligation[4] imposed on them by the Indian renewable energy policy, the DISCOMS have not been inclined to signing long term hydro PPAs in recent years.

Another negative factor lies with the overall demand – supply scenario as most states currently have contracted capacities in excess of their demand, due to lower than anticipated demand and robust / on-schedule generation capacity additions. However this situation should not last because a steady demand growth is expected in the next ten years, which, coupled with absence of investments in coal based capacities, should absorb excess capacities in most states.

Regarding the UDAY scheme (refinancing Government Scheme to improve the financial health of distribution companies), the effects on hydropower PPAs market is yet to be seen.

The Government of India has however undertaken to reverse the above negative scenario by publishing on 7th March 2019 a new hydropower policy which features the following main measures:

i. Large Hydropower Projects to be declared as Renewable Energy source (as per existing practice, only hydropower projects less than 25MW are categorized as Renewable Energy).
ii. Hydro Purchase Obligation (HPO) will be imposed on DISCOMS and included as part of non-solar Renewable Purchase Obligation, which means DISCOMS will be obliged to purchase hydropower. Annual HPO targets will be notified by Ministry of Power based on the projected capacity addition plans in hydropower sector. Necessary amendments will be introduced in the Tariff Policy and Tariff Regulations to operationalize HPO.
iii. Tariff rationalization measures have been introduced, including a flexibility to the developers to determine the tariff by “back loading” it after increasing the computation period, an increase of the debt repayment period to 18 years and an escalating tariff of 2%. The purpose of these measures is to lower the first years’ tariffs. The modalities of new tariff calculations will be determined by the Central Electricity Regulatory Commission.

[4] This RPO forces DISCOMS to purchase 15% of their electricity from renewable sources, which include solar and wind power but exclude hydropower above 25 MW/

iv. Budgetary support is to be granted by the Government towards development of infrastructures such as roads and bridges on case by case basis, limited to Rs. 15 m (193 kEur) per MW for projects up to 200 MW like Tato-1 HEP and and to Rs. 10 m (128 kEur) per MW for projects above 200 MW like Heo HEP.

The Pauk HEP (145 MW)

The project progress continues at a slower pace, commensurate with the Project's specific technical and administrative characteristics. After several months of technical discussions, the Company obtained from the Central Water Commission (Govt. of India) the approval of the project basic design in April 2017, and the approval of the geological investigation plan from the Geological Survey of India in August 2017. Based on such approvals the next step is mainly to conduct the approved investigation plan. However the performance of site investigations remains subject to the clearance of landownership disputes. As an example, after several months of negotiations, a work order to shift a drilling machine at Pauk Power house site could be signed and shared between several clans on 23rd March 2018. The drilling equipment could be transported on a part of the required path during the month of May 2018 and accesses prepared in September 2018. However thereafter new inter-clan disputes interrupted the work. Orders have been issued by the district administration to direct the restart of the work, and several discussions have been going on in October 2018 and February 2019 between the concerned clans, but without success. Finally the shifting of the drilling machinery could be completed on 4th August 2019. The required 57 m deep in rock drilling work at the power site was completed on 16th September 2019. The Group is assessing the situation and the strategy to continue with the next drills at the power house site, as well as at the dam site.

The above mentioned disputes have often slowed down or prevented activities at the site in the past years. The Group will keep supporting and pushing this project as it features a diurnal reservoir which would allow the entire cascade to generate peak power 3 hours daily at full capacity. Such a peaking capacity may in the future make the cascade more attractive and / or increase its profitability. Due to the massive addition of variable and unpredictable renewable capacities (solar and wind) during the past years and planned until 2027, the Indian grid is expected to be more and more impacted by sudden changes often occurring in solar and wind generation, thus risking stable and safe grid operations. Peak hydropower is a solution to this issue as it allows the flexibility to inject power on demand very quickly, and could therefore answer specific needs. The opportunity for hydropower in this regard will also depend on the efficiency and cost effectiveness of other storage based solutions such as batteries.

Conclusion on the Indian projects

The Government of India has undertaken to reverse the above negative market scenario by publishing on 7th March 2019 a new hydropower policy which features main measures such as a Hydro Purchase Obligation (HPO) to be imposed on distribution companies or plans to reduce the hydropower tariffs in the first years of the PPA to make it more attractive to power purchasers.

In principle the above new policy is a good news, and it marks a long awaited shift in the Government of India policy towards establishing a regulatory framework facilitating the signing of long term PPAs and supporting hydropower development. The details and implantation modalities remain to be seen and the Company is following up closely the evolution of this new framework.

The Company keeps making progress in areas that depend on itself. The local team presence on the field, coordination of activities involving the local people and government services, logistical support and CSR activities are enabling the project to progress but as always the pace is limited by how quickly the local people negotiate and accept the changes that the projects will bring.

In the current advanced project development phase, most activities are under the purview and legal responsibility of local and national Government entities, including instrumental land acquisition and road infrastructures. These activities are progressing at variable paces but generally slowly and they regularly encounter impediments and delays. Progress is also always subject to political and legal risks such as changes in legislation and / or government. On this side, the Group takes note of the new hydropower policy mentioned above which has been decided by the Government of India. Although the results will take some time and depend on implementation modalities not yet known, this policy is a significant measures and positive sign towards the recovery of the hydropower market.

Until now, the Indian commercial and financial market conditions have not been favourable to the sale of hydropower, as the market has remained constrained by the indirect competition of RE tariffs, the bad financial health of electricity distribution companies (DISCOMS), the insufficient regulatory framework not allowing the sale of power through long term bankable PPAs and the heavy exposure of the banking sector to bad infrastructure loans. The impact of the new hydropower policy on this current scenario is yet to be seen.

In terms of long term power demand, even if some states are in power surplus scenario on the short term (1-2 years) they would all be experiencing peak and average deficits at the end of 2022. The demand could even become significantly larger (> 20 GW) if new MOEF norms for coal based power plants are enforced to meet emissions standard and if renewable energy capacities are under achieved. That should leave room for the procurement of hydropower by DISCOMS if a proper regulatory framework is in place.

Also, in 2018 and 2019 there has been few cases of DISCOMS calling for expression of interests to purchase long term hydropower, for a supply of power in 2019. Although another a positive sign, these initiatives have not yet resulted in the signature of any bankable long term hydropower PPAs by private developers of greenfield projects, as per our knowledge.

The Group's team pushes all project activities including by assisting the Government for those activities which are not its direct responsibility and by providing support to Government entities whenever possible. Although the Group continues to see long term promising prospects in the Indian electricity market, the Group is not in a position to assess the timeframe and the scale of the various delays which are or will be encountered.

Upon reaching a bankable PPA and the financial close for the 426 MW tandem, the Group will require USD 112 million to USD 134 million to fund the equity required for the construction of the projects (estimate which will vary notably depending on the final completion dates, final financing costs, completion costs, and exchange rates).

No additional provision has been decided for FY 2018. In view of the uncertainties of the Indian market and the delays encountered, the Company had decided already decided to book a provision in 2017, of EUR 2.2m (16%) on the intangible value of the Indian projects.

4. IMPORTANT EVENTS SINCE 30th JUNE 2019

- Cancellation of 451,147 treasury shares,

On 8th August the Company has cancelled 451,147 treasury shares, out of which 254,128 were bought during the buyback program closed on 15th May 2019 and 197 019 shares were previously held by the Group. As a result the share capital was reduced from 6,281,967 Euros divided into 6,281,967 shares of 1 Euro each to 5,830,820 Euros divided into 5,830,820 shares of 1 Euro each. Following this capital reduction, the Company holds 139,850 treasury shares which are kept for free share plans allocations.

- Completion of the first phase of the land acquisition procedure of the Indian Hydropower Projects,

As announced by the press release dated 8th April 2019, the first phase of the land acquisition procedure was extended by 6 months, up to the deadline of 26th September 2019, to issue the "Section 11 preliminary notification" under the regulations applicable to the Heo-Tato1 hydropower tandem project (426 MW).

Such notification was duly executed by the State Government on 26th September 2019. It is the act by which the State Government decides to acquire the required land (totaling 107.20 Ha) for public purpose, based on the successful completion of the first phase of the acquisition procedure. It prevents any other land related transaction to take place and triggers the next steps of the procedure.

The completion of this phase, especially obtaining the land owners' consent, is a major milestone in the land acquisition procedure, although it does not yet resolve the land registry disputes. At a later stage, the settlement of these disputes will be necessary to determine the sharing of the financial compensations between land owners.

The State Government will now have to initiate another set of surveys and complex procedural steps such as notably a detailed and individual census of affected families, the marking of land boundaries, the hearing of individual objections, the preparation and publication of Rehabilitation & Resettlement plans (Section 19), the public hearings on such plans, the issuance of financial awards (Sections 23 and 31) and the physical possession of the Land (Section 38).

II – UNAUDITED CONSOLIDATED BALANCE SHEET (ASSETS)

In thousands of Euros

Assets	30.06.2019	31.12.2018
Non current assets		
Intangible assets	13,785	13,630
Tangible assets	8,540	8,674
Non current financial assets	3,825	3,567
Total non-current assets	**26,150**	**25,872**
Current assets		
Current financial assets	70,112	63,839
Trade and other receivables	229	244
Income tax receivables	13	10
Other current assets	153	299
Cash and cash equivalents	26,791	30,383
Total current assets	**97,298**	**94,776**
Total assets	**123,448**	**120,647**

III – UNAUDITED CONSOLIDATED BALANCE SHEET (LIABILITIES)

Thousands of Euros

Liabilities	30.06.2019	31.12.2018
Equity		
Issued capital	6,282	6,282
Additional paid in capital	125,357	125,357
Other reserves and conversion reserves	(13,903)	(13,978)
Net income for the year	3,550	552
Equity attributable to the equity holders of the parent	**121,286**	**118,213**
Non-controlling interests	8	8
Total Equity	**121,294**	**118,220**
Non current liabilities		
Non current provisions	817	801
Other non current liabilities	1,064	1,043
Total non-current liabilities	**1,880**	**1,844**
Current liabilities		
Trade and other payables	216	515
Income tax payables	49	53
Other current liabilities	9	14
Total Current Liabilities	**274**	**583**
Total Liabilities	**123,448**	**120,647**

IV – UNAUDITED INCOME STATEMENT

Thousands of Euros

Statement of Profit & Loss	30.06.2019	30.06.2018
Operating revenues	1,355	1,241
Other operating revenues	-	-
Total operating revenues	**1,355**	**1,241**
Purchases	(9)	(58)
External expenses	(723)	(788)
Payroll expenses	(1,243)	(1,291)
Operating tax expenses	(0)	(4)
Depreciation, Amortization & Provisions	(599)	(361)
Current operating result	**(1,218)**	**(1,262)**
Other operating income	9	511
Operating result	**(1,210)**	**(751)**
Financial Income	5,482	2,450
Financial expenses	(606)	(360)
Financial Result	**4,877**	**2,090**
Income tax expense (-) / benefit (+)	(117)	(96)
Net result from continuing operations	**3,550**	**1,242**
Net result, group share	**3,550**	**1,254**
Net result, shares of non-controlling interests	**-**	**(12)**
Earnings per share (in Euros)	0.61	0.21
Diluted earnings per share (in Euros)	0.60	0.20
EBITDA	**(611)**	**(390)**

Statement of total comprehensive Income	30.06.2019	30.06.2018
Net income	3,550	1,242
Other comprehensive income, that will not be reclassified subsequently to profit or loss	394	(2,035)
Total Comprehensive Income	**3,944**	**(793)**
thereof attributable to non-controlling interests	(0)	13
Group Total Comprehensive income	**3,944**	**(781)**

V - COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. EFFECTIVE FOREIGN EXCHANGE RATES

1 € =	30.06.2019		31.12.2018		30.06.2018	
	Closing rate	Average rate	Closing rate	Average rate	Closing rate	Average rate
BRL (Brazilian Real)	4.38	4.35	4.45	4.31	4.53	4.14
INR (Indian Rupee)	78.40	79.09	79.94	80.72	79.93	79.55
AED (Dirham UAE)	4.18	4.15	4.21	4.34	4.29	4.45
USD (US Dollar)	1.14	1.13	1.15	1.18	1.17	1.21
SGD (Singapore Dollar)	1.54	1.54	1.56	1.59	1.59	1.61
IDR (Indonesian Rupiah)	16,057	16,029	16,468	16,790	16,732	16,662

2. COMMENTS ON THE BALANCE SHEET

ASSETS

Intangible Assets

The Group continued to develop its concessions in India (EUR +0.3m of gross intangible assets in H1 2019). The positive effect of currency fluctuations (EUR 0.2m) net of amortization and provisions allowance (EUR -0.3m) therefore prompted intangible assets to increase by EUR 0.2m (to EUR 13.8m vs. EUR 13.6m at 31st December 2018).

Tangible Assets:

Tangible assets were down to EUR 8.5m at of 30th June 2019 versus EUR 8.7m at 31st December 2018, a decrease of EUR 0.2m. This variation is the net result of, on one hand, the increase of the Brazilian Real on the book value of Rodeio Bonito expressed in Euros (EUR 0.1m) and, on the other hand, the depreciation expense of that same asset (EUR -0.3m)

Cash, Cash Equivalents & financial assets:

These assets were slightly up (EUR 2.9m only) despite the Group's positive financial result (EUR 4.9) because of the share buyback program (EUR – 1.3m). The appreciation of the USD over the last two months of H1 2019 has contributed to FX gains (EUR 0.5m) as most of the Group's Cash, Cash Equivalents and financial assets have been held in USD.

Financial asset instruments (EUR 73.9 m) are mainly composed of Bonds issued by corporations and Governments, and to a lesser extent by Collateralized Loan Obligation funds, for a total of EUR 58.4m, Listed equities (EUR 1.6m), Unlisted equities and unsecured lending (EUR 1.0m), Quantitative funds (EUR 10.1m), Secured lending net of provisions (EUR 2.8 m) while the cash and cash equivalent is invested in short-term fixed deposits, money market funds and on bank accounts (EUR 26.8m).

The group's bond portfolio is mostly exposed to issuers in the BBB, BB and Not Rated categories (as defined by Standard's & Poor) and has 38% Emerging and Frontier Markets exposure. About 48% of the bonds have maturities less than 5 years and the remainder spans a wide range. In H1 2019, exposure to bonds with maturities 10Y and above amounts to EUR 20.7m.

At half-year end the biggest lines of the Group are with the following issuers, respectively (with exposure comprised between EUR 8.0 m and EUR 4.0m) : Norddeutsche Landesbank GZ (Germany), CMA-CGM (France), Olam (Singapore), BBVA Bancomer (Mexico), TRAFIGURA (Singapore) and the Republic of Argentina.

Direct lending includes a secured senior USD loan towards the financing of a tanker, of which the amount net of provisions is EUR 2.8 m as of 30th June. Given the initial borrower's default and the uncertainties faced in enforcing the mortgage due to several ongoing litigations, a provision has been accounted. The exact amount of this provision is kept confidential given the several litigations that the Group has initiated.

LIABILITIES

<u>Non-current provisions :</u>
Non-current liabilities (EUR 0.8m) are broadly stable at constant exchange rates and stem from unresolved disputes relating to the Group's past ownership of Biomass facilities in India.

<u>Other non-current liabilities:</u>
Other non-current liabilities (EUR 1.1m) 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. COMMENTS ON THE INCOME STATEMENT

EBITDA was negative during H1 2019 (EUR -0.6m vs. EUR -0.4m in H1 2018). Net result, Group Share, was a gain of EUR 3.6m vs. a gain of EUR 1.3m previously.

CURRENT OPERATING PROFIT :

<u>Turnover :</u>
Velcan's turnover amounted to EUR 1.4m in H1 2019 arising from sales of electricity by the Rodeio Bonito Hydro Power Plant (HPP) in Brazil.

<u>Purchases:</u>
Purchases costs were down (see above).

<u>Operating costs:</u>
Operating costs (external & payroll expenses) were slightly higher (see above).

<u>Depreciation, Amortization and Provisions, Provision write-backs:</u>
Depreciation and amortization of tangible and intangible assets amounted to an expense of EUR -0.6m. Tangible and intangible assets depreciation expense was mainly attributable to Rodeio Bonito HPP (EUR -0.4m).

Operating result was a loss of EUR -1.2m compared to a loss of -0.8m in H1 2018.

FINANCIAL INCOME

Net financial income for H1 2019 was EUR 4.9m vs a gain of EUR 2.1m in H1 2018. The financial income of the Group is mostly dependent on two items:

a) The interests it earns and the eventual capital gain it makes on its assets portfolio No default has occurred as of end June 2019.

b) The Foreign exchange variations of the currencies in which the Group's financial assets are invested : in H1 2019, the Group's cash has been slightly positively impacted by the strengthening of the USD vs the EUR over H1 2019 period , as explained above.

Interest rates in the Eurozone are still weak. Rates have declined on USD financial assets after a rise in 2018.

The end of the 2018 year was marked by a lot of movements in the financial markets. The American Equity indexes almost reached -20% which is the threshold that defines a bear market.

The market fall was due to a number of factors. One of the most important one was the expected rise of the USD rates. In January 2019, the USD 10 year rates reached 3.15% which had not happened since 2011. The market expected then that the US Federal Reserve would keep increasing short term rates. Which makes short term borrowing more expensive. As the current bull market, which has been lasting for more than 10 years has been helped by debt financed share buyback, any increase in the cost of short term money has a big impact on the stock market. And any increase in rates has an impact on the cost of credit generally speaking which can dampen mood and investment.

Completely unexpectedly, the FED changed track in early 2019, stopped raising rates and the market started expecting rate cuts. Which did happen in June 2019.
During the same period the US Yield curve has inverted, which is usually a sign of a coming recession.
On this background of radical changes in the benchmark rates, the business world has been impacted by the trade row between the USA and China. The Brexit process has also been a source of unknown.
The resulting market has been a fairly volatile upward moving market. In the first part of the year, the US equity markets erased their losses of end 2018. Since then they have gone even higher, with regular bouts of fall and volatility, mostly linked to the news flow on the trade war aforementioned. The bonds market have more or less behaved in the same way. Given the drastic fall in the long term USD rates, the longer the maturity of the bonds, the better the performance.

COMPREHENSIVE INCOME

Comprehensive Income for H1 2019 amounted to a gain of EUR 3.9m vs. a loss of EUR -0.8m in H1 2018. The impact of currency fluctuations on Group equity was a gain of EUR 0.4m vs. a loss of EUR -2.0m in H1 2018.

This variation is mainly due to a slightly stronger Brazilian Real and a slightly stronger Indian Rupee when compared to EUR which positively impacted the book value of tangible assets booked in this currency (See above).

APPENDIX 5
Articles of Association

VELCAN HOLDINGS
société anonyme
siège : 11 avenue Guillaume, L-1651 Luxembourg
RCS Luxembourg B 145.006

STATUTS COORDONNES

- Constitution sous la dénomination de VELCAN ENERGY LUXEMBOURG S.A. suivant acte reçu par Maître Paul Decker, alors notaire de résidence à Luxembourg, en date du 12 février 2009, publié au Mémorial C, Recueil des Sociétés et Associations, numéro 643 du 25 mars 2009,

- Assemblées générales extraordinaires suivant actes reçus par Maître Paul Decker, alors notaire de résidence à Luxembourg :

    - en date du 18 février 2009, publié au Mémorial C, Recueil des Sociétés et Associations, numéro 658 du 26 mars 2009,

    - en date du 28 juin 2010, publié au Mémorial C, Recueil des Sociétés et Associations, numéro 1739 du 26 août 2010,

    - en date du 3 septembre 2010, publié au Mémorial C, Recueil des Sociétés et Associations, numéro 2261 du 22 octobre 2010,

    - en date du 11 mai 2011, publié au Mémorial C, Recueil des Sociétés et Associations, numéro 1735 du 30 juillet 2011,

- Fusion suivant acte reçu par Maître Paul Decker, alors notaire de résidence à Luxembourg, en date du 14 mai 2014, publié au Mémorial C, Recueil des Sociétés et Associations, numéro 1405 du 2 juin 2014,

- Constat d'augmentation de capital social suivant acte reçu par Maître Martine DECKER, notaire de résidence à Hesperange, en date du 24 juin 2015, publié au Mémorial C, Recueil des Sociétés et Associations, Numéro 2354 du 2 septembre 2015,

- Assemblée générale extraordinaire suivant acte reçu par Maître Martine DECKER, notaire de résidence à Hesperange, en date du 14 août 2015, publié au Mémorial C, Recueil des Sociétés et Associations, Numéro 2889 du 20 octobre 2015,

- Constat d'augmentation de capital social suivant acte reçu par Maître Martine DECKER, notaire de résidence à Hesperange, en date du 3 mai 2016, publié au Mémorial C, Recueil des Sociétés et Associations, Numéro 2142 du 20 juillet 2016.

- Assemblée générale extraordinaire suivant acte reçu par Maître Martine DECKER, notaire de résidence à Hesperange, en date du 28 juillet 2017, publié au Recueil électronique des sociétés et associations, numéro de journal RESA_2017_194 du 18 août 2017,

- Modification suivant acte reçu par Maître Martine DECKER, notaire de résidence à Hesperange, en date du 29 juin 2018, publié au Recueil électronique des sociétés et associations, numéro de journal RESA_2018_166 du 25 juillet 2018.

- Assemblée générale extraordinaire et changement de dénomination en VELCAN HOLDINGS suivant acte reçu par Maître Martine DECKER, notaire de résidence à Hesperange, en date du 27 juillet 2018, publié au Recueil électronique des sociétés et associations, numéro de journal RESA_2018_175 du 7 août 2018.

- Assemblée générale extraordinaire suivant acte reçu par Maître Martine DECKER, notaire de résidence à Hesperange, en date du 8 août 2019, publié au Recueil électronique des sociétés et associations, numéro de journal RESA_2019_203 du 4 septembre 2019.

- Constat de réduction de capital social suivant acte reçu par Maître Martine DECKER, notaire de résidence à Hesperange, en date du 8 août 2019, en voie de publication au Recueil électronique des sociétés et associations.

Art. 1 er. Forme - Dénomination.

Il est établi une société anonyme sous la dénomination de «VELCAN HOLDINGS» (la « **Société** »).

La Société peut avoir un actionnaire unique (l' « **Associé Unique** ») ou plusieurs actionnaires. La Société ne pourra pas être dissoute par la mort, la suspension des droits civiques, la faillite, la liquidation ou la banqueroute de l'Associé Unique.

Art. 2. Siège social. Le siège social de la Société est établi à Luxembourg, Grand-Duché de Luxembourg (Luxembourg).

Il peut être transféré en tout autre endroit dans le Grand-Duché de Luxembourg par simple décision du conseil d'administration de la Société (le « **Conseil d'Administration** »), qui est autorisé à faire constater un tel changement par un notaire. L'Assemblée Générale extraordinaire, statuant dans les conditions requises pour la modification des statuts, peut transférer le siège social de la Société à l'étranger.

Lorsque le Conseil d'Administration estime que des événements extraordinaires d'ordre politique ou militaire de nature à compromettre l'activité normale au siège social, ou la communication aisée entre le siège social et l'étranger se produiront ou seront imminents, il pourra transférer provisoirement le siège social à l'étranger jusqu'à cessation complète de ces circonstances anormales. Cette mesure provisoire n'aura toutefois aucun effet sur la nationalité de la Société, qui restera une société luxembourgeoise.

Art. 3. Durée de la société. La Société est constituée pour une période indéterminée.

La Société peut être dissoute, à tout moment, par résolution de l'Assemblée Générale (telle que définie ci-après) de la Société statuant comme en matière de modifications des Statuts, tel que prescrit à l'article 8, ci-après.

Art. 4. Objet social. La Société a pour objet toutes opérations commerciales se rapportant directement ou indirectement à la prise de participations sous quelque forme que ce soit, dans toute entreprise se présentant sous forme de société de capitaux ou de société de personnes, ainsi que l'administration, la gestion, le contrôle et le développement de ces participations.

Elle pourra notamment employer ses fonds à la création, à la gestion, à la mise en valeur et à la liquidation d'un portefeuille se composant de tous titres, participer à la création, au développement et au contrôle de toutes entreprises, acquérir par voie d'apport, de souscription, de prise ferme ou d'option d'achat et de toute autre manière, tous titres, les réaliser par voie de vente, de cession, d'échange, accorder tous concours, prêts, avances ou garanties à toute société dans laquelle elle dispose d'un intérêt direct ou indirect.

Elle pourra également procéder à l'acquisition, la gestion, l'exploitation, la vente ou la location de tous immeubles, meublés ou non meublés et généralement faire toutes opérations immobilières à l'exception de celles de marchands de biens et le placement et la gestion de ses liquidités au Grand Duché de Luxembourg ou à l'étranger.

En général, la Société pourra faire toutes opérations à caractère patrimonial, mobilières, immobilières, commerciales, industrielles ou financières, ainsi que toutes transactions et opérations de nature à promouvoir et à faciliter directement ou indirectement la réalisation de l'objet social ou son extension.

Art. 5. Capital social. Le capital souscrit de la Société est fixé à cinq millions huit cent trente mille huit cent vingt euros (EUR 5.830.820) divisé en cinq millions huit cent trente mille huit cent vingt (5.830.820) actions d'une valeur nominale de un euro (EUR 1) chacune.

Le capital social souscrit de la Société pourra être augmenté ou réduit par une résolution prise par l'Assemblée Générale statuant comme en matière de modifications des Statuts, tel que prescrit à l'article 8, ci-après.

Art. 6. Capital autorisé. Le capital autorisé est plafonné à un montant global maximal de trente millions d'euros (EUR 30.000.000) constitué de trente millions (30.000.000) d'actions ayant une valeur nominale de un euro (EUR 1) chacune (le « **Montant Global Maximal de Capital Autorisé** »).

Pendant une période de cinq (5) ans à compter de la date de publication du procès-verbal de l'Assemblée Générale Extraordinaire du 28 juillet 2017 au Recueil Electronique des Sociétés et Associations, le Conseil d'Administration est autorisé à émettre des actions ordinaires et/ou des valeurs mobilières donnant accès au capital, aux conditions qui lui conviendront, avec ou sans droit préférentiel de souscription aux actionnaires existants, avec ou sans bénéficiaires désignés concernant les nouvelles actions et/ou valeurs mobilières à émettre, dans la limite du Montant Global Maximal de Capital Autorisé. Les valeurs mobilières donnant accès à des actions de la Société pourront ainsi notamment consister en des titres de créance et être associés à de tels titres. Les émissions d'actions ou de valeurs mobilières pourront intervenir en euros, en devises étrangères ou toute autre unité monétaire établie par référence à plusieurs devises, et leur souscription pourra intervenir par tous moyens en ce compris par compensations de créances.

La somme revenant ou devant revenir à la Société pour chacune des actions émises ou à émettre dans le cadre du Montant Global Maximal de Capital Autorisé, après prise en compte, en cas d'émission de valeurs mobilières ou options donnant accès au capital de la Société, du prix d'émission desdites valeurs mobilières, sera déterminée par le Conseil d'Administration, sans pouvoir être inférieure ni à la valeur nominale de l'action, ni aux cours moyens pondérés par les volumes des actions ordinaires de la Société sur une période de dix (10) à trente (30) jours de bourse consécutifs précédant la date du Conseil d'Administration décidant le prix de l'émission, auxquels pourra être appliquée une décote qui ne pourra pas excéder 15% (quinze pour cent). Le Conseil d'Administration aura toute latitude pour fixer le prix d'émission, sous réserve de respecter les seuils minimaux précités de la valeur nominale et des cours moyens pondérés, et pour choisir la période de référence entre, au minimum, les dix (10) jours de bourse consécutifs, et au maximum les trente (30) jours de bourse consécutifs précédant la date du Conseil d'Administration décidant le prix de l'émission.

Le Conseil d'Administration peut déléguer à tout administrateur autorisé ou fondé de pouvoir de la Société ou toute autre personne dûment autorisée, le droit de recueillir les souscriptions et de recevoir le paiement des actions ou valeurs mobilières représentant tout ou partie du montant de l'augmentation de capital ou de l'émission des valeurs mobilières concernées.

Le Conseil d'Administration informera chaque année l'Assemblée Générale Ordinaire des opérations réalisées dans le cadre du présent article.

Art. 6bis. Actions gratuites.

Le Conseil d'Administration est autorisé à procéder, sans limitation de durée, au profit des membres du personnel salarié de la Société, ou de certains d'entre eux ou de certaines catégories d'entre eux, à une attribution gratuite d'actions existantes ou à émettre. La présente autorisation emporte de plein droit, au profit des bénéficiaires des actions attribuées gratuitement, renonciation par les actionnaires existants à leur droit préférentiel de souscription, en cas d'actions à émettre.

Le Conseil d'Administration est autorisé à fixer les conditions et modalités de l'attribution, qui peuvent ou non inclure une période d'attribution définitive et une durée minimale d'obligation de conservation des actions par les bénéficiaires.

Des actions gratuites peuvent être attribuées dans les mêmes conditions:

– au profit de membres du personnel salarié des sociétés ou des groupements d'intérêt économique dont 10% (dix pour cent) au moins du capital ou des droits de vote sont détenus, directement ou indirectement, par la Société;

– au profit de membres du personnel salarié des sociétés ou des groupements d'intérêt économique détenant, directement ou indirectement, au moins 10% (dix pour cent) du capital ou des droits de vote de la Société;

– au profit de membres du personnel salarié des sociétés ou des groupements d'intérêt économique dont 50% (cinquante pour cent) au moins du capital ou des droits de vote sont détenus, directement ou indirectement, par une société détenant elle-même, directement ou indirectement, au moins 50% (cinquante pour cent) du capital de la Société;

– au profit des mandataires sociaux de la Société ou des sociétés ou groupements d'intérêt économique visés ci-dessus, ou de certaines catégories d'entre eux.

Pour les besoins de l'attribution d'actions gratuites, le Conseil d'Administration pourra utiliser des actions existantes détenues par toute société contrôlée par la Société.

Le Conseil d'Administration informera chaque année l'Assemblée Générale Ordinaire des opérations réalisées dans le cadre du présent article.

Art. 7. Actions - Parts bénéficiaires.

7.1. - Forme des actions.

Les actions sont, au choix du Conseil d'Administration, nominatives, ou dématérialisées.

Les actions nominatives donnent lieu à une inscription en compte dans les livres de la Société dans les conditions et selon la législation applicable. Les actions nominatives peuvent être déposées et inscrites en compte au nom de l'actionnaire auprès de teneurs de comptes étrangers, qui maintiennent directement ou indirectement auprès de tout organisme dépositaire central de titres (CSD) un compte-titres au crédit duquel figurent les titres en cause.

L'identification des titulaires d'actions nominatives est réalisée par la constatation de l'inscription du titulaire dans le registre des actions nominatives tenu conformément à la législation en vigueur. Un certificat d'inscription en compte est délivré au titulaire d'actions nominatives. L'émetteur peut demander aux personnes figurant sur les listes à lui remises de confirmer qu'elles détiennent les titres pour compte propre, ou à défaut, d'indiquer le nom ou la dénomination, la nationalité, l'année de naissance ou l'année de constitution et l'adresse des détenteurs de titres. Lorsqu'une personne n'a pas transmis les informations ainsi demandées par la Société conformément au présent article ou si elle a transmis des renseignements incomplets ou erronés relatifs soit à sa qualité, soit à la quantité de titres détenus par elle, le bureau de l'Assemblée Générale pourra priver la personne en cause de l'exercice du droit de vote à hauteur de la quotepart des titres pour lesquels l'information demandée n'aura pas été obtenue.

Les actions dématérialisées de la Société sont émises conformément à l'article 430-7 de la Loi du 10 août 1915 concernant les sociétés commerciales telle que modifiée (la « **Loi sur les Sociétés de 1915** »), et conformément à la loi du 6 avril 2013 relative aux titres dématérialisés. Toutes les actions dématérialisées sont enregistrées dans un compte d'émission unique tenu par LuxCSD, une société anonyme de droit luxembourgeois, dont le siège social est situé au 43. Avenue Monterey, L-2163 Luxembourg et enregistrée auprès du registre de commerce et des sociétés de Luxembourg sous le numéro B 154449 (l'« **Organisme de Liquidation** » ou l'« **OL** »), ou toute autre organisme habilité en qualité de teneur de compte central en application de la Loi.

Toutes les actions dématérialisées ne sont représentées, et le droit de propriété de l'actionnaire sur l'action dématérialisée ne s'établit que par une inscription en compte-titres. Pour les besoins de la circulation internationale des actions ou pour l'exercice des droits associatifs et droits d'actions des actionnaires contre la Société ou des tiers, l'OL émet des certificats aux titulaires de comptes titres relatifs à leurs actions dématérialisées, contre certification écrite par ces derniers, qu'ils détiennent les actions en cause pour compte propre ou agissent en vertu d'un pouvoir qui leur a été accordé par le titulaire des droits sur les titres.

En vue de l'identification des actionnaires, la Société peut demander, à ses frais, à l'OL, le nom ou la dénomination, la nationalité, l'année de naissance ou l'année de constitution et l'adresse des détenteurs de titres dans ses livres conférant immédiatement ou pouvant conférer à tenue le droit de vote dans ses propres assemblées générales ainsi que la quantité de titres détenue par chacun d'eux et, le cas échéant, les restrictions dont les titres peuvent être frappés. L'OL fournit à la Société les données d'identification en sa possession sur les titulaires de comptes-titres en ses livres et le nombre de titres détenus par chacun d'eux. Les mêmes renseignements sur le détenteur de titres pour compte propre sont recueillis par l'émetteur à travers les teneurs de comptes ou des autres personnes, luxembourgeoises ou étrangères, qui maintiennent directement ou indirectement auprès de l'OL un compte-titres au crédit duquel figurent les titres en cause.

L'émetteur peut demander aux personnes figurant sur les listes à lui remises de confirmer qu'elles détiennent les titres pour compte propre. Lorsqu'une personne n'a pas transmis les informations ainsi demandées par la Société conformément au présent article ou si elle a transmis des renseignements incomplets ou erronés relatifs soit à sa qualité, soit à la quantité de titres détenus par elle, le bureau de l'Assemblée Générale pourra priver la personne en cause de l'exercice du droit de vote à hauteur de la quotepart des titres pour lesquels l'information demandée n'aura pas été obtenue.

7.2. - Conversion des actions en actions dématérialisées.

Pour le cas où les actions seraient dématérialisées sur décision du Conseil d'Administration, ces dernières pourront être converties en actions dématérialisées, à la demande de chaque propriétaire d'actions nominatives, à ses frais. Le choix de la conversion appartient à l'actionnaire.

A cette fin, la Société enregistrera auprès de l'OL, les conversions de titres dématérialisés formulées par les actionnaires titulaires d'actions de même genre.

Toutes actions de la Société, pour lesquelles une telle conversion aura été demandée, seront converties au moyen d'une inscription en compte-titres au nom de leur titulaire.

Un formulaire de demande de conversion est disponible sur simple demande écrite adressée au siège de la Société, laquelle devra, sans préjudice de l'alinéa suivant, a minima, indiquer les coordonnées auxquelles le demandeur à la conversion pourra être contacté par la Société afin de parfaire éventuellement la demande de conversion, ainsi que la nature et le nombre d'actions pour lesquelles la conversion est demandée.

Le titulaire inscrit dans le registre des titres doit fournir à la Société les données nécessaires relatives à son teneur de compte et à son compte-titres afin que les titres puissent y être crédités.

La Société transmettra ces données au teneur de comptes central qui ajustera les comptes d'émission et virera les titres au teneur de comptes pertinent. La Société adaptera, le cas échéant, son registre des titres en conséquence.

Il est précisé qu'entre le moment de la transmission du formulaire de demande de conversion des actions existantes en actions dématérialisés et l'inscription de l'auteur de cette demande de conversion en tant que titulaire d'actions dématérialisées, les droits de vote et au dividende attachés à ces actions seront suspendus le temps de la conversion effective des actions préexistantes en actions dématérialisées.

Pendant la durée de la suspension des droits de vote attachés aux actions en cours de conversion en actions dématérialisées, ces actions ne seront pas prises en compte pour le calcul des quorums et des majorités au cours des assemblées générales.

7.3. - Déclarations de franchissement de seuils.

Toute personne physique ou morale agissant seule ou de concert, venant à détenir directement ou indirectement, par l'intermédiaire d'une ou plusieurs personnes morales qu'elle contrôle, un nombre d'actions représentant une proportion du capital social ou des droits de vote, égale ou supérieure à 1 % (un pour cent), puis à tout multiple de ce pourcentage, doit informer la Société, par lettre recommandée avec accusé de réception adressée au siège social de la Société, en précisant le nombre total d'actions et des droits de vote qu'elle possède, seule ou de concert, directement ou indirectement par l'intermédiaire de sociétés qu'elle contrôle.

L'actionnaire concerné est tenu de procéder à la notification susvisée lorsque le franchissement du seuil résulte de son propre fait (franchissement actif) comme d'une opération indépendante de sa volonté (franchissement passif). Sans préjudice des conditions légales et réglementaires de notification de franchissement des seuils, les notifications de franchissement des seuils statutaires, actifs ou passifs, interviennent dans le délai de cinq jours de bourse à compter du franchissement.

L'obligation d'information s'applique également lorsque la participation de l'actionnaire en capital ou en droit de vote devient inférieure à chacun des seuils mentionnés au paragraphe ci-dessus.

L'inobservation des dispositions qui précèdent est sanctionnée, à la demande consignée au procès-verbal de l'assemblée générale, d'un ou plusieurs actionnaires détenant une fraction au moins égale à 5 % (cinq pour cent) minimum du capital ou des droits de vote de la Société, par la suspension de l'exercice des droits de vote pour les actions ou droits y attachés excédant la fraction qui aurait dû être déclarée et ce pour toute assemblée d'actionnaires qui se tiendra jusqu'à l'expiration d'un délai de deux ans suivant la date de régularisation de la notification prévue ci-dessus.

7.4. - Droits et obligations attachés aux actions.

Chaque action donne droit, dans la propriété de l'actif social et dans le partage des bénéfices, à une part égale à la quotité du capital social qu'elle représente, compte tenu, s'il y a lieu, du capital amorti et non amorti, libéré et non libéré, du montant nominal des actions, des droits des actions de catégories différentes; notamment et sous ces réserves, toute action donne droit, pendant la vie sociale comme en cas de liquidation, au règlement de la même somme nette pour toute répartition ou tout remboursement, de sorte qu'il sera, le cas échéant, fait masse entre toutes les actions indistinctement de toutes exonérations fiscales comme de toutes taxations susceptibles d'être prises en charge par la Société. En cas d'actions indivises, les indivisaires sont représentés par un mandataire unique aux Assemblées générales. Tant que le mandataire n'aura pas été désigné, le bureau de l'Assemblée Générale peut suspendre l'exercice du droit de vote aux Assemblées, mais cela n'empêche pas les actionnaires concernés d'obtenir les mêmes informations que celles disponibles pour les autres actionnaires préalablement aux Assemblées.

Les actionnaires ne sont responsables du passif social qu'à concurrence de leurs apports. Les droits et obligations suivent l'action quel qu'en soit le titulaire.

La propriété d'une action emporte de plein droit adhésion aux statuts de la Société et aux décisions de l'Assemblée Générale.

Chaque fois qu'il sera nécessaire de posséder un certain nombre d'actions pour exercer un droit quelconque, les propriétaires qui ne possèdent pas ce nombre auront à faire leur affaire personnelle du groupement et éventuellement de l'achat ou de la vente du nombre d'actions nécessaires.

7.5. - Rachat d'actions par la Société.

La Société pourra racheter ses propres actions dans les limites prévues par la loi.

Dans le cadre d'un rachat par la Société de ses propres actions, le Conseil d'Administration est autorisé, pendant une période de cinq (5) ans à compter de la date de publication du procès-verbal de l'Assemblée Générale Extraordinaire du 28 juillet 2017 au Recueil Electronique des Sociétés et Associations, (i) à annuler en une ou plusieurs fois, dans la limite de 35% (trente-cinq pour cent) du capital, tout ou partie des actions de la Société que cette dernière détiendrait à la suite d'un rachat effectué et à réduire corrélativement le capital social, (ii) à imputer la différence entre le prix de rachat des actions annulées et leur valeur nominale sur les primes et réserves disponibles, (iii) à fixer les conditions et modalités, réaliser et constater la ou les réductions de capital consécutives aux opérations d'annulation autorisées, régler le sort des éventuelles oppositions, passer les écritures comptables correspondantes, procéder à la modification corrélative des statuts, et d'une façon générale, à accomplir toutes formalités nécessaires.

7.6. - Transmission des Actions.

La transmission d'actions nominatives s'opère par une déclaration de transfert inscrite sur le registre des actions nominatives.

La transmission d'actions dématérialisées s'opère par virement de compte à compte.

7.7. - Parts Bénéficiaires.

La Société peut émettre, outre des actions, et conformément à la loi et aux stipulations des présents statuts, des parts bénéficiaires non représentatives d'une quotité du capital.

Une part bénéficiaire conférant un droit de vote est attribuée aux détenteurs de toute action entièrement libérée pour laquelle il sera justifié d'une inscription nominative depuis quatre (4) ans au moins au nom du même détenteur.

Une seconde part bénéficiaire, conférant également un droit de vote, est attribuée aux détenteurs de toute action entièrement libérée pour laquelle il sera justifié d'une inscription nominative depuis six (6) ans au moins au nom du même détenteur.

Pour les besoins du présent article, ne seront considérées comme donnant droit à l'émission de ces parts bénéficiaires que les actions inscrites directement au nom du même actionnaire pendant, selon le cas, plus de quatre (4) ou six (6) années consécutives et uniquement dans le registre nominatif directement tenu par le mandataire habilité spécialement désigné par la Société à cet effet, à l'exclusion de tous autres teneurs de comptes / dépositaires étrangers ou non, qui maintiennent par ailleurs directement ou indirectement auprès de tout organisme dépositaire central de titres (CSD) un compte-titres au crédit duquel figurent des actions de la Société.

L'attribution des parts bénéficiaires interviendra également dès l'émission d'actions nouvelles attribuées gratuitement à des actionnaires à raison d'actions détenues par ces derniers et auxquelles sont déjà attachées des parts bénéficiaires, en cas d'augmentation du capital par incorporation de réserves, bénéfices ou primes d'émission.

Les parts bénéficiaires ne donnent droit à aucun droit pécuniaire ; elles ne sont pas transférables.

Le droit de vote attaché aux parts bénéficiaires s'éteint automatiquement à la suite de la dématérialisation, ou du transfert de la propriété (autre que par suite de succession, de liquidation de communauté de biens entre époux ou de donation entre vifs au profit d'un conjoint ou d'un parent au degré successible ou par suite d'une fusion ou d'une scission d'une société actionnaire), ou du transfert sur un compte autre que le registre nominatif directement tenu par le mandataire habilité spécialement désigné par la Société, de l'action à raison de laquelle une telle part bénéficiaire a été attribuée. Le droit de vote attaché aux parts bénéficiaires ne s'éteindra pas lorsque le transfert de propriété des actions concernées interviendra par suite de liquidation d'une personne morale actionnaire lorsque les actions de la Société seront réparties et attribuées aux actionnaires / associés de la personne morale liquidée. La part bénéficiaire ayant perdu son droit de vote est automatiquement annulée.

Le Conseil d'Administration est autorisé à émettre des parts bénéficiaires aux conditions des présents statuts.

Le Conseil d'Administration peut déléguer à tout administrateur autorisé ou fondé de pouvoir de la Société ou toute autre personne dûment autorisée, le droit de vérifier l'existence du droit à attribution desdites parts et de procéder à leur émission.

Art. 8. Assemblées générales des actionnaires de la société.

8.1. - Compétence, quorum et majorité.

Toute assemblée générale des actionnaires de la Société (l' « **Assemblée Générale** ») régulièrement constituée représente tous les actionnaires de la Société. Elle a les pouvoirs les plus larges pour ordonner, faire ou ratifier tous les actes relatifs aux opérations de la Société.

L'Assemblée Générale ordinaire prend toutes les décisions autres que celles qui sont réservées à la compétence de l'Assemblée Générale extraordinaire par la Loi et les présents statuts.

Les décisions en matière ordinaire sont adoptées à la majorité simple des voix valablement exprimées par les actionnaires et les détenteurs de parts bénéficiaires, quelle que soit la part du capital social représentée. Aucun quorum n'est requis. Les voix exprimées ne comprennent pas celles attachées aux actions pour lesquelles l'actionnaire n'a pas pris part au vote ou s'est abstenu ou a voté blanc ou nul.

L'Assemblée Générale ordinaire est réunie au moins une fois par an dans les six (6) mois de la clôture de l'exercice. L'Assemblée Générale annuelle se tiendra conformément à la loi luxembourgeoise à Luxembourg au siège social de la Société ou à tout autre endroit de la commune du siège indiqué dans les convocations.

L'Assemblée Générale extraordinaire des actionnaires est seule habilitée à modifier les statuts dans toutes leurs dispositions. Elle ne peut, toutefois, augmenter les engagements des actionnaires, sous réserve des opérations résultant d'un regroupement d'actions régulièrement effectué.

Les décisions en matière extraordinaire sont adoptées à la majorité des 2/3 des voix valablement exprimées par les actionnaires et les détenteurs de parts bénéficiaires, quelle que soit la part du capital social représentée. Sur première convocation, un quorum de la moitié au moins du capital social possédé par les actionnaires présents ou représentés est requis. Aucun quorum n'est requis sur deuxième convocation. Les voix exprimées ne comprennent pas celles attachées aux actions pour lesquelles l'actionnaire n'a pas pris part au vote ou s'est abstenu ou a voté blanc ou nul.

Pour le calcul du quorum des différentes assemblées, il n'est pas tenu compte des actions détenues par la Société ou des actions privées de droit de vote par application de la Loi.

8.2. - Convocation et admission.

L'Assemblée Générale des actionnaires de la Société peut, à tout moment, être convoquée par le Conseil d'Administration, ou sur demande écrite d'un ou plusieurs actionnaires représentant au moins dix pour cent (10%) du capital social souscrit de la Société. En pareil cas, l'Assemblée Générale des actionnaires devra être tenue dans un délai d'un (1) mois à compter de la réception de cette demande.

Les convocations pour toute Assemblée Générale contiennent l'ordre du jour, les modalités d'admission et de participation et sont faites par deux (2) annonces:

i) Une première annonce trente (30) jours calendaires au moins avant l'Assemblée, diffusée par voie de communiqué via au moins un média boursier de premier plan, tel que le site internet de Nyse Euronext, et seize (16) jours calendaires au moins avant l'Assemblée dans le Recueil électronique des sociétés et associations et un journal de Luxembourg.

ii) Une seconde annonce insérée huit (8) jours calendaires au moins avant l'Assemblée Générale dans le Recueil électronique des sociétés et associations et dans un journal de Luxembourg.

Si une nouvelle convocation est nécessaire en raison de l'absence des conditions de présence requises pour la première Assemblée convoquée et que l'ordre du jour ne comporte aucun point nouveau, alors la nouvelle convocation est faite dans les délais prévus par la Loi.

Les actionnaires inscrits directement en nom dans le registre nominatif directement tenu par le mandataire habilité spécialement désigné par la Société sont par ailleurs convoqués par lettre simple.

Les droits d'un actionnaire à participer à une Assemblée Générale et d'exercer le vote attaché à ses actions et parts bénéficiaires le cas échéant sont déterminés en fonction des actions et des parts bénéficiaires détenues par cet actionnaire le quatorzième (14ème) jour qui précède l'Assemblée Générale à vingt-quatre (24) heures (heure de Luxembourg) (la « **Date d'enregistrement** »).

Dans le cas d'actions enregistrées dans un système de règlement-livraison d'instruments financiers et détenues par un intermédiaire financier agissant comme dépositaire professionnel, le propriétaire de telles actions souhaitant participer à une Assemblée Générale devra obtenir de cet opérateur ou ce dépositaire un certificat certifiant le nombre d'actions enregistrées dans le compte pertinent à la Date d'enregistrement et le présenter à la Société à cette même date. Le certificat d'inscription en compte établi par le teneur de compte habilité pourra être envoyé directement par ledit teneur de compte à la Société, accompagné le cas échéant du formulaire de vote par écrit de l'actionnaire. Les actionnaires inscrits directement en nom dans le registre nominatif directement tenu par le mandataire habilité spécialement désigné par la Société sont dispensés de produire un tel certificat.

Au plus tard à la Date d'enregistrement, tout actionnaire indique à la Société sa volonté de participer à l'Assemblée Générale. Le Conseil d'Administration fixe les modalités de cette déclaration. La Société enregistre pour chaque actionnaire qui a signalé sa volonté de participer à l'Assemblée Générale, ses nom ou dénomination sociale et domicile ou siège social, le nombre d'actions et parts bénéficiaires qu'il détenait à la Date d'enregistrement et le certificat précité d'un dépositaire professionnel certifiant la détention des actions à cette date et précisant (i) le nom, (ii) le domicile ou siège social, (iii) (pour les personnes morales) le numéro et l'indication du registre auprès duquel elles sont inscrites, ainsi que (iv) le nombre d'actions et, le cas échéant, de parts bénéficiaires détenues.

Tout actionnaire propriétaire d'actions inscrites au nominatif dans le registre nominatif directement tenu par le mandataire habilité spécialement désigné par la Société a le droit de participer à l'Assemblée sur simple présentation d'une pièce d'identité mais devra indiquer son souhait de participer ou non à l'Assemblée Générale à la Date d'enregistrement comme indiqué au paragraphe précédent.

Le Conseil d'Administration est habilité à définir des conditions et modalités supplémentaires qui devront être remplies par les actionnaires afin de participer aux Assemblées Générales.

8.3. - Vote - Procuration - Vote par correspondance.

Le droit de vote attaché aux actions de capital ou de jouissance est proportionnel à la quotité du capital qu'elles représentent. Chaque action donne droit à une voix, sous réserve que le Conseil d'Administration puisse suspendre les droits de vote des actionnaires lorsque ceux-ci ne remplissent pas leurs obligations telles que prévues par les présents statuts. Les détenteurs de parts bénéficiaires bénéficient également d'un droit de vote en Assemblée Générale dans les conditions fixées à l'article 7.

Chaque actionnaire pourra prendre part aux Assemblées Générales des actionnaires de la Société en désignant par écrit, dans les conditions fixées par le Conseil d'Administration, une autre personne comme mandataire. Cette autre personne doit avoir la qualité i) de conjoint ou ii) d'actionnaire ou iii) lorsque le propriétaire des actions de la Société n'a pas son domicile sur le territoire du Luxembourg, de teneur de compte habilité, étranger ou luxembourgeois, et dépositaire des actions concernées par le vote. Dans le cas iii) mentionné ci-avant, la Société peut exiger l'identification de l'actionnaire ayant donné les instructions de vote au teneur de compte. Au cas où il n'est pas satisfait à l'exigence de l'émetteur, le bureau de l'Assemblée peut priver la personne en cause de l'exercice du droit de vote.

Pour toute procuration d'un actionnaire sans indication de mandataire, le Président de l'Assemblée Générale émet un vote favorable à l'adoption des projets de résolutions présentés ou agréés par le Conseil d'Administration et un vote défavorable à l'adoption de tous les autres projets de résolutions. Pour émettre tout autre vote, l'actionnaire doit faire le choix d'un mandataire qui accepte de voter dans le sens indiqué par le mandant.

Les actionnaires peuvent voter par correspondance, par écrit au moyen d'un bulletin de vote et dans les conditions définies par le Conseil d'Administration, sur les projets de résolutions soumis à l'Assemblée Générale.

En cas de démembrement du droit de propriété de l'action, le droit de vote aux Assemblées sera exercé tantôt par l'usufruitier, tantôt par le nu-propriétaire, en fonction de l'objet des décisions à prendre. Le droit de vote dans les Assemblées générales extraordinaires appartiendra au nu-propriétaire; le droit de vote dans les Assemblées générales ordinaires sera partagé entre le nu-propriétaire et l'usufruitier selon que les résolutions portent sur l'affectation des bénéfices (usufruitier) ou sur d'autres points (nu-propriétaire). En cas de désaccord, la Société suspendra les droits de vote attachés aux droits sociaux concernés tant que le désaccord existera.

Le Conseil d'Administration est habilité à définir des conditions et modalités supplémentaires qui devront être remplies par les actionnaires afin de participer aux Assemblées Générales. Ces conditions et modalités supplémentaires seront indiquées dans les avis de convocations des Assemblées Générales.

8.4. - Conduite des Assemblées Générales.

L'Assemblée Générale pourra se tenir à l'étranger si le Conseil d'Administration constate souverainement que des circonstances exceptionnelles le requièrent.

Les autres Assemblées Générales pourront se tenir aux lieu et heure spécifiés dans les avis de convocation.

Les Assemblées sont présidées par le Président du Conseil d'administration ou, en son absence par un vice-Président ou par un administrateur spécialement délégué à cet effet par le Conseil. A défaut l'Assemblée désigne elle-même son Président.

Les fonctions des scrutateurs sont remplies par les deux actionnaires, présents et acceptants, qui disposent, tant par eux-mêmes que comme mandataires, du plus grand nombre de voix.

Le bureau ainsi composé, désigne un secrétaire qui peut ne pas être actionnaire. Il est tenu une feuille de présence et les procès-verbaux sont dressés et les copies ou extraits des délibérations sont délivrés et certifiés conformément à la Loi.

Art. 9. Administration de la société.

9.1. - Conseil d'Administration.

La Société sera administrée par un Conseil d'Administration comprenant au moins cinq membres lesquels ne seront pas nécessairement actionnaires de la Société.

Les administrateurs seront nommés par l'Assemblée Générale pour une durée ne pouvant excéder six ans et ils seront rééligibles. Les fonctions des administrateurs prennent fin à l'issue de la réunion de l'Assemblée Générale Ordinaire appelée à statuer sur les comptes de l'exercice écoulé et tenue dans l'année au cours de laquelle expire leur mandat.

Lorsqu'une personne morale est nommée administrateur de la Société (la « **Personne Morale** »), la Personne Morale doit désigner un représentant permanent qui représentera la Personne Morale conformément à l'article 441-3 de la Loi sur les Sociétés de 1915.

Les actionnaires de la Société détermineront également le nombre d'administrateurs et leur rémunération. Un administrateur peut être révoqué avec ou sans motif et/ou peut être remplacé à tout moment par décision de l'Assemblée Générale.

En cas de vacance d'un poste d'administrateur pour cause de décès, de retraite ou toute autre cause, les administrateurs restants pourront élire, à la majorité des votes, un administrateur pour pourvoir au remplacement du poste devenu vacant jusqu'à la prochaine Assemblée Générale. En l'absence d'administrateur disponible, l'Assemblée Générale devra être rapidement réunie par le réviseur d'entreprise et se tenir pour nommer de nouveaux administrateurs.

9.2. - Organisation et réunions du Conseil d'Administration.

Le Conseil d'Administration nomme un président (le « **Président** ») parmi ses membres. Le Président est nommé pour une durée qui ne peut pas excéder celle de son mandat d'administrateur. Il est rééligible. Le Président présidera toutes les réunions du Conseil d'Administration et de l'Assemblée Générale. En son absence, l'Assemblée Générale ou les autres membres du Conseil d'Administration, le cas échéant, nommeront un président pro tempore qui présidera la réunion en question, par un vote à la majorité simple des actionnaires ou administrateurs présents ou représentés à la réunion en question.

Le Conseil d'Administration peut désigner un secrétaire, administrateur ou non, qui sera en charge de la tenue des procès-verbaux des réunions du Conseil d'Administration et des décisions de l'Assemblée Générale.

Les réunions du Conseil d'Administration seront convoquées par le Président ou par deux administrateurs, au lieu indiqué dans l'avis de convocation.

Les convocations sont faites par tous moyens et même verbalement.

La réunion peut être valablement tenue sans convocation préalable si tous les administrateurs de la Société sont présents ou représentés lors du Conseil d'Administration et déclarent avoir été dûment informés de la réunion et de son ordre du jour.

Tout membre du Conseil d'Administration peut se faire représenter à toute réunion du Conseil d'Administration en désignant par écrit soit en original, soit par téléfax, câble, télégramme, par télex ou par courriel muni d'une signature électronique conforme aux exigences de la loi luxembourgeoise, un autre administrateur comme son mandataire.

Un membre du Conseil d'Administration peut représenter plusieurs autres membres empêchés du Conseil d'Administration à la condition qu'au moins deux membres du Conseil d'Administration soient physiquement présents ou assistent à la réunion du Conseil d'Administration par le biais de tout moyen de communication qui est conforme aux exigences du paragraphe qui suit.

Les administrateurs peuvent participer à la réunion du Conseil d'Administration par conférence téléphonique, visio-conférence ou tout autre moyen de communication similaire permettant leur identification. La participation à une réunion du Conseil d'Administration par un tel moyen de communication équivaudra à une participation en personne à une telle réunion. La participation à une réunion par ces moyens équivaudra à une participation en personne et la réunion devra être considérée comme ayant été tenue au siège social de la Société.

Le Conseil d'Administration ne pourra délibérer et/ou agir valablement que si au moins quatre administrateurs sont présents ou représentés à une réunion du Conseil d'Administration. Les décisions sont prises à la majorité des voix des administrateurs présents ou représentés lors de ce Conseil d'Administration.

Nonobstant les dispositions qui précèdent, une décision du Conseil d'Administration peut également être prise par voie circulaire pourvu qu'elle soit précédée par une délibération entre administrateurs par des moyens tels que mentionnés par exemple dans le présent article. Une telle résolution doit consister en un seul ou plusieurs documents contenant les résolutions et signés, manuellement ou électroniquement par une signature électronique conforme aux exigences de la loi luxembourgeoise, par tous les membres du Conseil d'Administration (résolution circulaire). La date d'une telle décision sera la date de la dernière signature.

Les procès-verbaux des réunions du Conseil d'Administration seront signés par le Président qui en aura assumé la présidence.

Les copies ou extraits de procès-verbaux destinés à servir en justice ou ailleurs seront signés par le Président, ou deux membres du Conseil d'Administration.

9.3. - Pouvoirs du Conseil d'Administration.

Le Conseil d'Administration est investi des pouvoirs les plus larges pour accomplir tous les actes de disposition et d'administration dans l'intérêt de la Société. Tous les pouvoirs non expressément réservés par la Loi sur les Sociétés de 1915 ou par les Statuts à l'Assemblée Générale sont de la compétence du Conseil d'Administration.

Le Conseil d'Administration peut déléguer ses pouvoirs de gestion journalière des affaires de la Société ainsi que la représentation de la Société dans la conduite de ces affaires à un ou plusieurs Directeurs Généraux, choisis ou non parmi les administrateurs.

Le Conseil d'Administration peut également conférer à un ou plusieurs de ses membres, ou à des tiers, actionnaires ou non, tous mandats spéciaux pour un ou plusieurs objets déterminés.

Le Conseil d'Administration peut nommer une personne, actionnaire ou non, administrateur ou non, en qualité de représentant permanent de toute entité dans laquelle la Société est nommée membre du conseil d'administration. Ce représentant permanent agira de son propre chef, mais au nom et pour le compte de la Société et engagera la Société en sa qualité de membre du conseil d'administration d'une telle entité.

Les membres du Conseil d'Administration sont tenus de ne pas divulguer, même après la cessation de leurs fonctions, les informations dont ils disposent sur la Société et dont la divulgation serait susceptible de porter préjudice aux intérêts de la Société, à l'exclusion des cas dans lesquels une telle divulgation est exigée ou admise par les dispositions légales en vigueur ou dans l'intérêt public.

9.4. - Gestion Journalière.

Le Conseil d'Administration peut nommer un ou plusieurs délégués à la gestion journalière, actionnaire ou non, membre du Conseil d'Administration ou non, qui auront les pleins pouvoirs pour agir au nom de la Société pour tout ce qui concerne la gestion journalière. Le Conseil d'Administration fixe la durée de son mandat, détermine sa rémunération et, le cas échéant, les limitations de ses pouvoirs.

Les administrateurs ainsi nommés prennent le titre de Délégués à la Gestion Journalière, et le Conseil d’Administration doit informer les tiers et les actionnaires de ces nominations dans les conditions prévues par la Loi.

Tout délégué à la gestion journalière est révocable à tout moment par le Conseil d'Administration, et sa révocation peut donner lieu à dommages-intérêts, si elle est décidée sans juste motif.

Le délégué à la gestion journalière est investi des pouvoirs les plus étendus pour assurer la gestion journalière de la Société. Il représente la Société et exerce ces pouvoirs dans la limite de la gestion journalière, de l'objet social et sous réserve de ceux que la Loi attribue expressément aux assemblées d'actionnaires et au Conseil d'Administration.

Le délégué à la gestion journalière représente la Société dans ses rapports avec les tiers pour ce qui concerne la gestion journalière. La Société est engagée même par les actes du délégué à la gestion journalière qui ne relèvent pas de l'objet social, à moins qu'elle ne prouve que le tiers savait que l'acte dépassait cet objet ou qu'il ne pouvait l'ignorer compte tenu des circonstances, étant exclu que la seule publication des statuts suffise à constituer cette preuve.

9.4. bis - Comité de direction et Directeur Général.

Le Conseil d’Administration peut déléguer ses pouvoirs de gestion à un Comité de direction ou un Directeur Général, sans que cette délégation puisse porter sur la politique générale de la Société ou sur l’ensemble des actes réservés au Conseil d’Administration en vertu d’autres dispositions de la Loi. Si un Comité de direction est institué ou un Directeur Général est nommé, le Conseil d’Administration est chargé de surveiller celui-ci.

Le Comité de direction se compose de plusieurs personnes, qu’ils soient administrateurs ou non. Les conditions de désignation des membres du Comité de direction ou du Directeur

Général, leur révocation, leur rémunération et la durée de leur mission de même que le mode de fonctionnement du Comité de direction, sont déterminés par le Conseil d'Administration.

Le Directeur Général, une fois nommé par le Conseil d'Administration, dispose du pouvoir de représenter la Société.

La nomination d'un Directeur Général, l'instauration d'un Comité de direction et le pouvoir de représentation du Directeur Général, sont opposables aux tiers conformément à la Loi.

Le Conseil d'Administration peut apporter des restrictions au pouvoir de gestion qui peut être délégué en application du présent article. Ces restrictions, de même que la répartition éventuelle des tâches dont les membres du Comité de direction sont convenus, ne sont pas opposables aux tiers, même si elles sont publiées.

9.5. - Signatures autorisées.

La Société est engagée, en toutes circonstances (y compris dans le cadre de la gestion journalière), vis-à-vis des tiers par (i) la signature d'un délégué à la gestion journalière dans les limites de la gestion journalière, ou (ii) la signature d'un Directeur Général, ou (iii) la signature de toute personne à qui de tels pouvoirs de signature auront été délégués par le Conseil d'Administration, et ce, dans les limites des pouvoirs qui leur auront été conférés.

9.6. - Rémunération des administrateurs.

L'Assemblée Générale peut allouer aux administrateurs, en rémunération de leur activité, à titre de jetons de présence, une somme fixe annuelle dont le montant est porté en charges d'exploitation et demeure maintenu jusqu'à décision contraire. Le Conseil répartit librement cette rémunération entre ses membres.

Il peut également allouer des rémunérations exceptionnelles pour les missions ou mandats confiés à des administrateurs et autoriser le remboursement des frais de voyage et de déplacement et toute dépense engagée par les administrateurs dans l'intérêt de la Société.

La rémunération du Président et des Directeurs Généraux est fixée par le Conseil d'Administration.

9.7. - Conflit d'intérêts.

L'administrateur qui a un intérêt opposé à celui de la Société, dans une opération soumise à l'approbation du Conseil d'Administration, est tenu d'en prévenir le Conseil et de faire mentionner cette déclaration au procès-verbal de la séance. Il ne peut prendre part à cette délibération.

Il est spécialement rendu compte, à la plus prochaine Assemblée Générale, avant tout vote sur d'autres résolutions, des opérations dans lesquelles un des administrateurs aurait eu un intérêt opposé à celui de la Société.

Les dispositions qui précèdent ne sont pas applicables lorsque les décisions du Conseil d'Administration ou de l'administrateur concernent des opérations courantes conclues dans des conditions normales.

Art. 10. Reviseur d'entreprises agréé. Le contrôle de la Société est effectué par un ou plusieurs réviseur(s) d'entreprises agréé(s), nommé(s) et exerçant leur mission conformément à la Loi.

Art. 11. Exercice social - Comptes annuels. L'exercice social commence le 1 er janvier de chaque année et se termine le 31 décembre de la même année.

A la clôture de chaque exercice, le Conseil d'Administration dresse l'inventaire des divers éléments de l'actif et du passif existant à cette date.

Il dresse les comptes annuels. Il établit un rapport de gestion sur la situation de la Société et son activité au cours de l'exercice écoulé, et toutes autres informations exigées par les textes en vigueur.

Les comptes annuels, le rapport de gestion ainsi que, le cas échéant, les comptes consolidés et le rapport sur la gestion du groupe sont tenus, au siège social, à la disposition du réviseur d'entreprises agréé dans les délais prévus par la Loi.

Il sera prélevé sur le bénéfice net annuel de la Société 5% (cinq pourcent) qui seront affectés à la réserve légale. Ce prélèvement cessera d'être obligatoire lorsque la réserve légale aura atteint 10% (dix pourcent) du capital social de la Société tel qu'il est fixé ou tel que celui-ci aura été augmenté ou réduit de temps à autre, conformément à l'article 5 des Statuts.

Sur proposition du Conseil d'Administration, l'Assemblée Générale décidera de l'affectation du solde restant du bénéfice net annuel et décidera seule de payer des dividendes de temps à autre, comme elle estime à sa discrétion convenir au mieux à l'objet et à la politique de la Société.

Les dividendes pourront être payés en euros ou en toute autre devise choisie par le Conseil d'Administration et devront être payés aux lieu et place choisis par le Conseil d'Administration. Le Conseil d'Administration peut décider de payer des dividendes intérimaires sous les conditions et dans les limites fixées par la Loi sur les Sociétés de 1915.

L'Assemblée statuant sur les comptes de l'exercice a la faculté d'accorder à chaque actionnaire, pour tout ou partie du dividende mis en distribution, une option entre le paiement du dividende ou des acomptes sur dividende en numéraire ou en actions.

En outre, l'assemblée générale peut décider la mise en distribution de sommes prélevées sur les réserves facultatives, soit pour fournir ou compléter un dividende, soit à titre de distribution exceptionnelle; en ce cas, la décision indique expressément les postes de réserves sur lesquels les prélèvements sont effectués. Toute prime d'émission, prime assimilée ou autre réserve distribuable peut être librement distribuée aux actionnaires sous réserve des dispositions de la Loi et des présents statuts.

Le Conseil d'Administration est autorisé, dans la limite des dispositions légales applicables, à distribuer des acomptes sur dividendes.

Art. 12. Dissolution et liquidation. La Société peut être dissoute, à tout moment, par une décision de l'Assemblée Générale de la Société statuant comme en matière de modifications des Statuts tel que prescrit à l'article 8 ci-avant. En cas de dissolution de la Société, il sera procédé à la liquidation par les soins d'un ou de plusieurs liquidateurs (qui peuvent être des personnes physiques ou morales), et qui seront nommés par la décision de l'Assemblée Générale décidant cette liquidation. L'Assemblée Générale déterminera également les pouvoirs et la rémunération du ou des liquidateurs.

Si, du fait des pertes constatées dans les documents comptables, les capitaux propres de la Société deviennent inférieurs à la moitié du capital social, l'Assemblée Générale extraordinaire des actionnaires est convoquée dans les conditions et délais fixés par la Loi sur les Sociétés de 1915, à l'effet de décider s'il y a lieu à dissolution anticipée de la Société.

Si la dissolution n'est pas prononcée, le capital doit être, sous réserve des dispositions légales relatives au capital minimum dans les sociétés anonymes, et dans le délai fixé par la loi, réduit d'un montant égal à celui des pertes qui n'ont pu être imputées sur les réserves si dans ce délai les capitaux propres ne sont pas redevenus au moins égaux à la moitié du capital social,

Art. 13. Droit applicable et compétence. Toutes les questions qui ne sont pas régies expressément par les présents Statuts seront tranchées en application de la loi luxembourgeoise. Toutes les contestations qui pourraient s'élever pendant la durée de la Société ou lors de sa liquidation soit entre la Société et les actionnaires, les administrateurs ou les réviseurs d'entreprises agréés soit entre les actionnaires eux-mêmes, seront jugées conformément à la loi par la juridiction des tribunaux compétents.

Pour statuts coordonnés au 8 août 2019.

Pour la société,

Hesperange, le 6 septembre 2019.