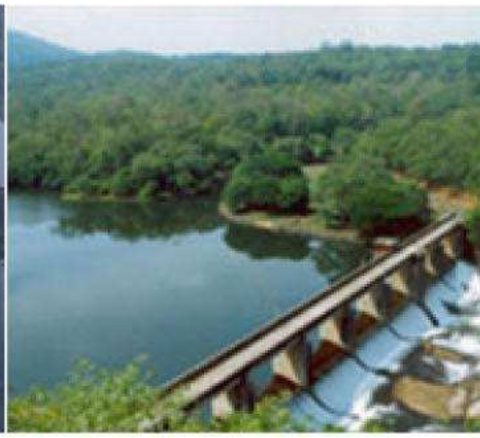
VELCAN





ANNUAL REPORT

MANAGEMENT REPORT
AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

VELCAN SA
Société Anonyme with a capital of
€ 7,797,442
RCS Luxembourg, B 145.006
11, avenue Guillaume

Table of Contents

I. MANAGEMENT REPORT

1. Key figures & Executive Summary

VELCAN Group ("VELCAN") is an Independent hydro power producer. Hydropower is a conventional, clean, renewable and competitive source of power. 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 803 MW of concessions and exclusive rights as of 31 December 2015 in the three aforementioned countries. VELCAN shares are listed on NYSE Alternext.

Consolidated Financial Data in Million Euros

	2015	2014	Var %
§ Turnover	3.5	4.5	-23%
§ EBITDA	2.7	1.9	+39%
§ Net Result	4.9	6.1	-19%
§ Cash & Financial assets	101	93	+9%
§ Market Capitalization	104	94	+11%
§ Cons. Equity	130	128	+2%
§ Net outstanding shares*	5976	5995	-0%
Book value per share (in Euros)	21.8	21.3	+3%

* Issued shares less Treasury shares (in Thousands)

		2015	2014
GLOBAL	**Portfolio of concessions and production facilities.** Does not include the various transactions or projects under assessment or technical studies neither post-closing changes.	803 MW	896 MW
BRAZIL	**Hydroelectric plant in operation**	15 MW	15 MW
BRAZIL	**Concessions and Exclusive rights.**	71 MW	71 MW
INDIA	**Concessions under development.**	571 MW	571 MW
LAOS	**Pre-concessions under development.** Divested in 2015	0 MW	93 MW
INDO	**Pre-concessions under development.**	146 MW	146 MW

2. About the Group

Velcan develops and operates power concessions in emerging markets with untapped potential. Hydro power can be an important contributor to the economic development of these countries.

As of the 31st December 2015, the Company focuses on hydro power concessions up to 200 MW. It is currently targeting India, Brazil and Indonesia for its investments. Management's foremost priority is to capture long-term returns from attractive hydroelectric assets in emerging countries at the lowest possible risk for the company and its shareholders.

As of December 2015, VELCAN:

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

VELCAN employs around 40 people in the world. It has offices in Luxemburg, Singapore, New Delhi, Jakarta, Mauritius, Dubai and Saõ Paulo and maintains personnel on its concession sites.

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

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

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

Activities and main Events

During Fiscal Year 2015, VELCAN continued developing and consolidating its existing concession portfolio (803 MW) and concentrating on a reduced number of projects with satisfactory probabilities of realization.

VELCAN made concrete and serious progress (see comments by zone of activity – India, below) on its Indian projects with major steps which have been achieved for HEO (240 MW) and TATO-1 (186 MW) projects during the year.

In September 2015, VELCAN announced that it was beginning pre-construction activities for its 7 MW Sukarame hydroelectric project, which was under development since 2011 in Indonesia, after having cleared all permits and acquired the lands in 2013. This announce followed the release of the Ministry of Energy and Mineral Resources (ESDM) Regulation No. 19 of 2015 dated 29 June 2015, which increased significantly the tariff for plants with a capacity smaller than 10 MW. Velcan is among the few majority foreign investor owning such a concession in Indonesia (below 10 MW) and allowed to enjoy this new regulation. Although the tariff is known, the model PPA (Power Purchase Agreement) to be signed by small hydro power including Velcan under this new regulation has yet to be issued and implemented by PLN. In March 2015, the Group has announced that it was putting on hold the construction of Sukarame power plant following the lack of progress from the Indonesian off-taker, PT PLN (PLN or PT PLN, the state-owned utility), and its failure, so far, 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. This impairment has been taken into account in 2015 FY financials (see subsequent events).

In September 2015, VELCAN also announced its divestment from Laos where it had been present since 2009. The disposal of its interest in its Nam Phouan and Nam Ang hydroelectric projects that have a cumulated capacity of 93 MW in Laos PDR was achieved with a significant capital gain which impacted positively the 2015 net result.

During Fiscal Year 2015, Velcan has also initiated prospection activities for solar power concessions in various areas worldwide (see subsequent events for more details).

The appreciation of the US Dollar during FY 2015 had a positive impact while the BRL depreciation had a negative impact on the Group's financial statements as of December 2015 (see net result comments below). The tumultuous regulatory environment in Brazil weighted as well on 2015 net result (see comments by zone of activity – Brazil, below)

<u>Comments by zone of activity:</u>

In Indonesia, the Group continues to develop and secure its portfolio. In September 2015, it announced, the beginning of the construction of Sukarame (7 MW) however this construction has been put on hold to date (see above and subsequent events). The Meureubo 2 (59MW) project, which is being developed through a consortium with PJB, an Indonesian State company wholly-owned by the national utility PT PLN, has also made progress toward the feasibility and the securing of rights. However, additional delays are expected as no agreement has been found to date with PLN on the procurement and PPA negotiation timing (see subsequent events). Furthermore, the Group is still developing various projects and conducting the environmental, social and technical feasibility studies, among which Redelong (18 MW), for the most advanced and for the less advanced Bilah (62 MW) and Jambuaye (40-50 MW). The initial technical results on Bilah are fairly negative and it is unlikely that the project will provide electricity at a competitive rate. Given its very early stage, the project is fully impaired. The Group will not ask for an extension of exclusive study rights on the Bilah project. In all likelihood, the Bilah project will not be in the concession portfolio of the Group anymore on June 30th 2016. A critical step for these projects with a capacity above 10MW will be the tariff negotiation with PLN once the feasibility studies are completed.

In India, the Group continued to develop the hydroelectric concessions obtained in 2007 in the State of Arunachal Pradesh with major steps achieved this year both on environmental and technical sides. Environmental Clearances (EC) and Forest Clearances (FC) have been obtained on the three projects, while Techno-Economic Clearances (TEC), the main required authorization to validate the project's feasibility and expected levelized tariff, have been obtained for both Heo (240 MW) and Tato-1 (186 MW) projects. Progress on Pauk (145 MW) continues at a pace commensurate with the technical characteristics of the project. Land status related issued are still slowing down the land acquisition process but VELCAN considers such process and ownership disputes settlement are the responsibility of the licensing Government. The concession contract provides for an extension of the development period in case of any delay which is not the responsibility of the developer. Negotiations for 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 in 2015 its highest production since the beginning of the concession (75,655 MWh, ie a plant load factor – PLF - of 57%). The operating and financial performance of the plant in local currency was satisfactory but both consumed purchases, which include to a great extent (EUR 1.1m in 2015 vs EUR 1m in 2014) payments for the Energy Reallocation Mechanism or MRE (definition and explanation page 16), during the first semester, and the significant depreciation of the Brazilian Real (BRL), during the second semester, weighted on the EBITDA of the plant when converted in euro (down to EUR 1.8m against EUR 2.7m in 2014). On the bright side, after several years of an extreme drought that had affected the country since 2012, precipitation levels started to normalize from June 2015 onwards in the South of Brazil. This improvement in operating conditions is further compounded by good regulatory news. As a consequence, in the second half of 2015, payments by Velcan for the MRE (Energy Reallocation Mechanism) were significantly lower than in the first half and should be much lower in 2016.

In Laos, the group announced in September 2015 the disposal of its interest in its Nam Phouan and Nam Ang hydroelectric projects that had a cumulated capacity of 93 MW for a total sale consideration of USD 7 million. The capital gain realized had a significant impact on the net income and the cash flow of the Group in 2015. Velcan has been present in Laos PDR since 2009 and conducted extensive surveying and development work, resulting in techno-economic Feasibility Studies and Environmental and Social Impact Assessments for both projects. During this period, the Group obtained the clearance of the technical studies, the environmental clearances and a pre-concession agreement (PDA), giving exclusive framework to negotiate the power Purchase agreement (PPA) with Electricite Du Laos (EDL). VELCAN tried its best to develop those technically speaking good projects further, but the local context (deteriorating price of power and Lao domestic electricity market situation, difficulty to raise debt for Laos at a reasonable price in the current market) could not enable the Group to invest at the initially expected Internal Rate of Return (IRR) and the Group had to change its plans.". Strategically, this transaction will allow Velcan to focus on the development of its other projects. The valuation of the share in the projects at USD 100,000 / MW at pre-PPA stage confirms the Group ability to generate value and profit through its internal project development capability. With some projects maturing in Indonesia, Velcan will thus be able to concentrate its human and financial resources on hopefully higher yielding projects.

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

Financial statements

Income Statement:

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

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

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

Net Financial Income for the group amounted to EUR 6.6m in 2015 driven by the USD appreciation (10% compared to end of 2014) impact on the Group's cash and financial assets position (see breakdown per currency note 24). This income compares to EUR 6.3m in 2014.

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

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

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

Balance sheet:

Net intangible assets are down by EUR 2.6m (mainly due to Sukarame impairment) while tangible assets decreased by EUR 4.1m between 2014 and 2015 (see note 1 & 2 of the appendix on consolidated financial statements), mainly because of the fall of the Brazilian currency (Rodeio Bonito Hydro power Plant being booked in BRL currency).

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

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

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

Own shares, booked directly against Equity of the Group at their historical cost, reduce the net shareholder's equity of the Group by EUR -15.5m versus EUR -15.2m at 31st December 2014.

As at 31st December 2015, unrealized losses on conversion reserves, booked directly against Equity amounted to EUR -8.2m versus an unrealized loss of EUR -6.2m at 31st December 2014 (the deep fall of emerging market's currencies had weighed heavily on 2013 FY conversion reserves by EUR -7.5 m), mainly because of the BRL depreciation (see above comment on 2015 comprehensive income).

With a consolidated equity of EUR 130.5m (+EUR 3.0m compared to 2014), the Group still has no significant debt as of 31st December 2015. Various provisions, payables and financial instrument liabilities amount to EUR 2.7m.

Foreseeable evolution of the Group:

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

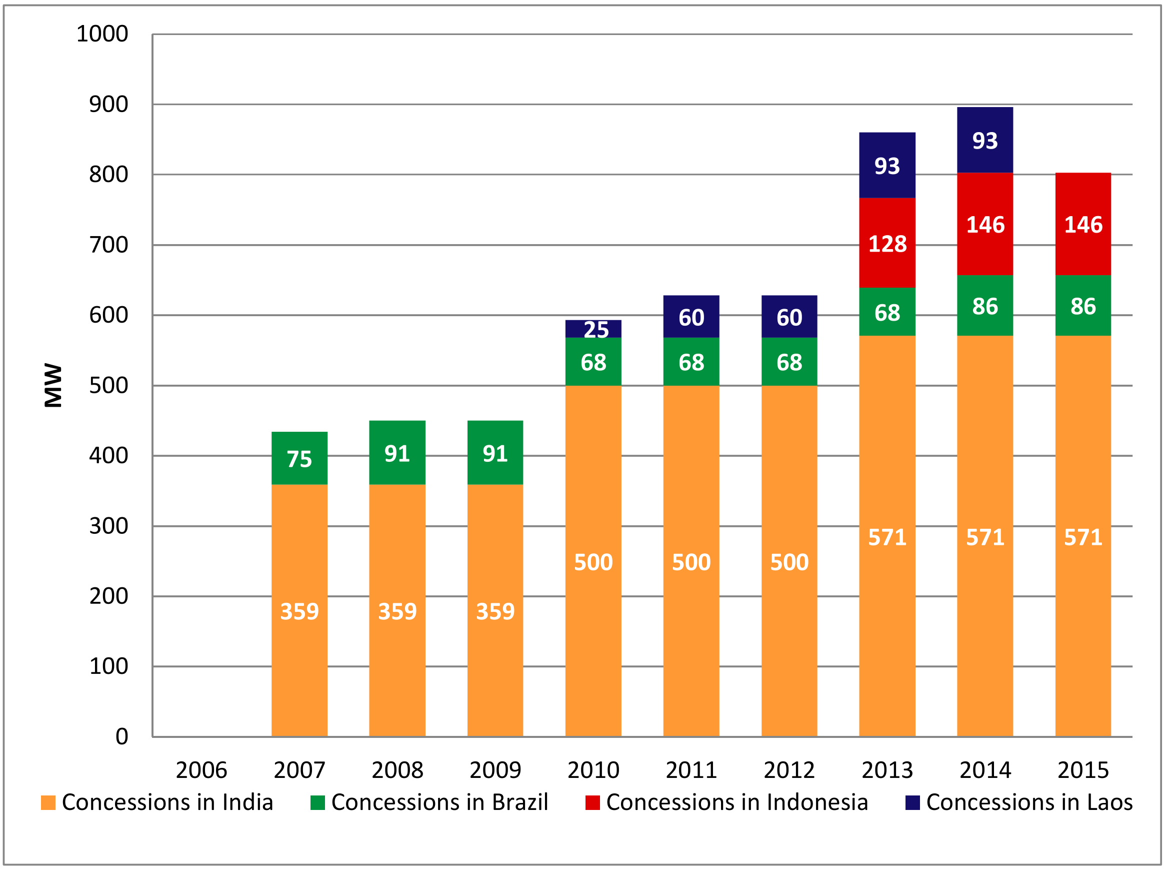
- Signing the PPA and resuming the construction of the Sukarame Power Plant, in Indonesia
- Finalizing the development and realization of viability studies of other concessions rights already obtained in India and Indonesia
- Progressing on its prospection in the Solar Power sector

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 rationalization of the cost structure.

Evolution of the Portfolio of projects

The portfolio of projects in development (India, Brazil and Indonesia) stands at 803 MW at the end of FY 2015 versus 896 MW at the end of 2014 following the disposal of Laotian projects. The installed capacity is exclusively comprised of the Rodeio Bonito Power plant (15 MW).



Summary of concessions as of 31 December 2015

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
PCH Cabui	Brazil	Minas Gerais	18	100%	30
Subtotal Brazil			***86***		
Sukarame	Indonesia	Lampung Barat	7	92%	20
Meurebo 2	Indonesia	Aceh	59	95%*	30
Redelong	Indonesia	Aceh	18	95%	30
Bilah	Indonesia	Sumatra Utara	62	92%	30
Subtotal Indonesia			***146***		
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			**803**		

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 and may result in State Government participation at financial closure stage, although Velcan considers such equity participation is not due and not desirable.*

General process of hydroelectric projects development

The Group economic model is mostly based on electricity sales. The energy produced can be sold either to local electricity companies or to industrial customers, through long or short term contracts in markets designed for this purpose. The production of this energy goes first though the obtaining of concessions, then through an extensive project development stage and finally though the construction works and the commissioning.

The portfolio of projects corresponds either to pre-concessions, concessions, exclusive development rights or exclusive studies rights which have been directly obtained by the Group's subsidiaries with relevant authorities or acquired from private developers.

There are two kinds of concessions:

- Primary concessions, obtained directly from the concerned government by the Group;
- Secondary concessions, which are bought from competitors

Concessions contracts mainly give the right to carry out studies and to use the river water in order to develop and operate the hydroelectric power plant at a given place, subject to the achievement of required administrative authorizations. These concessions are usually granted by governments for a period of 20 to 40 years.

At the end of the concession, the developer generally undertakes to transfer to the licensing authority the hydroelectric power plant in operation.

However, the concessions do not include other administrative permits, particularly the various environmental permits, techno-economic clearances and land rights required for the construction of power plants. It is possible to obtain a concession, and yet be unable to construct because these other clearances are not obtained.

Therefore, the developer must conduct field investigations, detailed techno-economic studies and environmental studies. This period of studies and investigations covers many areas: detailed topography, geological investigations, permeability studies, seismic studies, hydrological reports and studies and detailed climatological studies (over several seasons).

These investigations are crucial because they gather the data used to determine the viability of the project. They also define the detailed features of the plant, including the final capacity that can be installed.

Along with the investigations and studies, the administrative procedures are initiated or conducted in order to obtain environmental and techno-economic clearances needed for the start of construction.

Until the granting of final authorizations and then until the beginning of construction, the capacities mentioned in the table above may vary. The outcome of detailed field investigations (geological or land hazards in particular), techno-economic studies, environmental permit studies or procedures or the emergence of new social environmental constraints are all factors likely to affect the final characteristics of the project.

Changes in regulations, particularly in the environmental domain, could also compel changes in the features of the project and generate administrative complications (review of the concession and necessity of re-approval of the concession by the licensing authority).

This process of evaluating the viability and obtaining all authorizations, according to projects, and subject to the absence of administrative delays (which cannot be guaranteed) usually lasts 24 to 60 months.

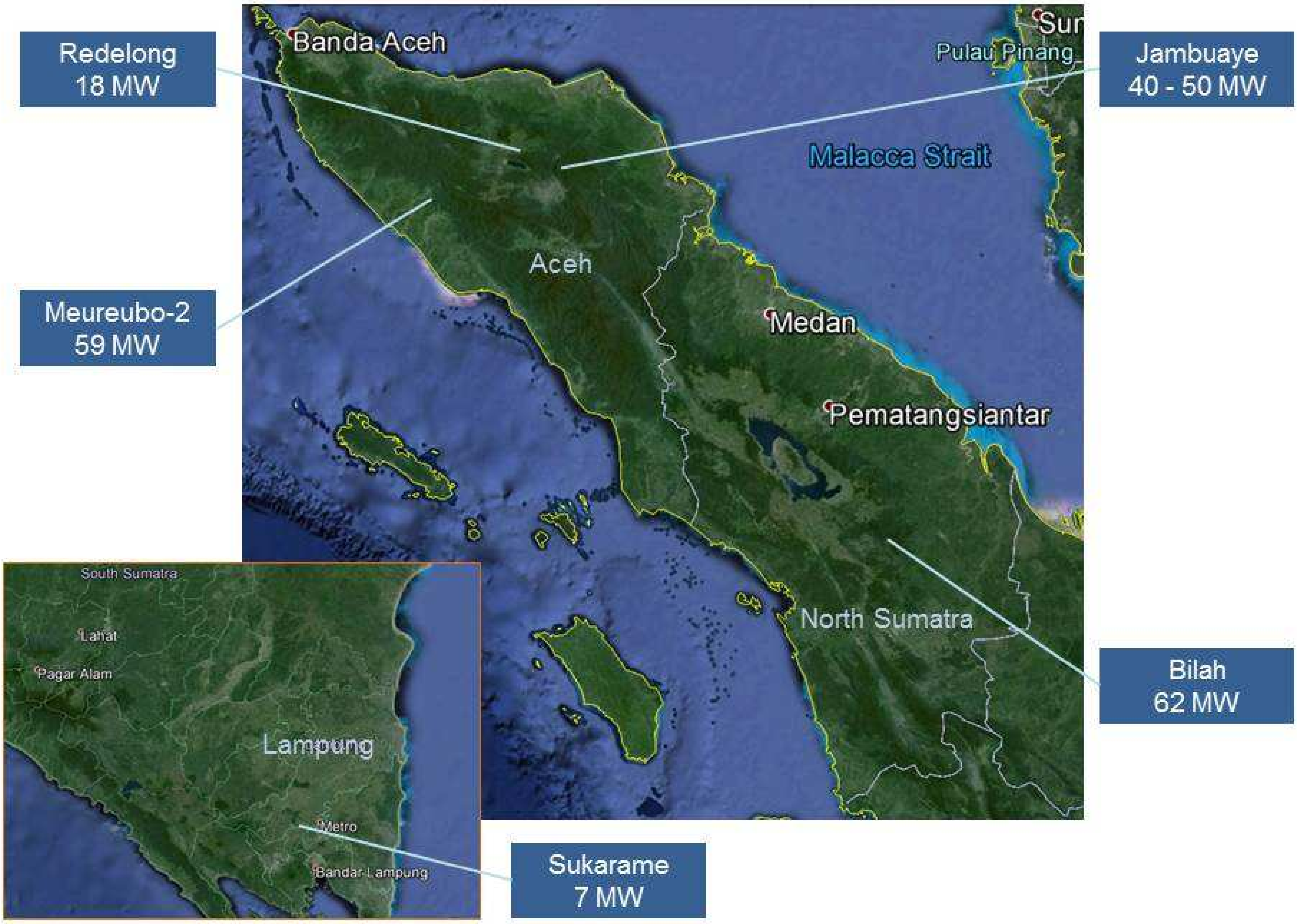
Only when investigations and studies are completed and the project is technically approved by the licensing authority (approval of the "*Projeto Basico*" [basic project] in Brazil and "*Techno-Economical Clearance*" in India), and all administrative permits and funding are obtained and land made available, can construction of the facilities begin. Construction lasts, depending on the nature of each project and subject to the absence of technical setbacks, between 24 and 60 months.

During construction, some geological or social constraints (ethnic movements or anti-dam activists for example), or even administrative constraints, are likely to occur and to delay the construction or even to oblige to revise, on building, the characteristics of the projects.

The commissioning is also subject to certain specific authorizations (e.g. permission for filling up the reservoir granted by ANEEL, the Brazilian Electricity Regulatory Agency, or the permit to start operations, granted by the environmental administration in each State).

In India and Brazil, the electricity production market is partially liberalized. Production can be marketed to public distributors via long-term contracts or even in the 'free' market to traders or directly to large industrial consumer.

<u>Indonesia hydroelectric projects construction/development</u>



The Group's efforts since 2011 enabled to reach the construction stage for one project, Sukarame (7 MW) and an different development stages for several projects totalling 146 MW within the total Group's 803 MW portfolio in 2015. Other projects, among which Jambuaye (40 to 50 MW approximately) are still 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.

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 recently increased significantly 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 is scheduled to take two years. Commercial operations were therefore expected to begin in 2018. The standard US Dollar-linked PPA with PT-PLN was to be signed as soon as possible but it has not yet been issued by PLN. It should have a duration of 20 years. Under Velcan's forecasts, Sukarame should generate EBITDA of approximately USD 4m per annum for eight years and USD 2.5m for twelve years thereafter. A ground-breaking ceremony has been organized in October 2015 with national and local dignitaries as well as community leaders and citizens. The construction of the contractor's platform area has started at the date of this report and the tender documents for the main contractors are being finalized. In March 2015, the Group has announced 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, so far, 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. This impairment has been taken into account in 2015 FY financials (see above and subsequent events).

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. Moreover, this project is well-placed in the Indonesian Government's 35 GW expansion plan (2015-2024) presented by PLN. The next steps for this project are now:

- negotiate the tariff and the power purchase agreement (PPA) with PLN
- tendering and selecting the main contractor
- pursue discussions with international financial institutions in order to prepare for the financial closing

However, additional delays are expected as no agreement has been found to date with PLN on the procurement and PPA negotiation timing (see subsequent events).

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 during the year. So far the project technical pre-feasibility has been established and the project has been officially presented to PLN which shows interest in it. Discussion is still ongoing on the actual and final design of the project before a due diligence can 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 us setting the land acquisition committee which will facilitate the land acquisition process.

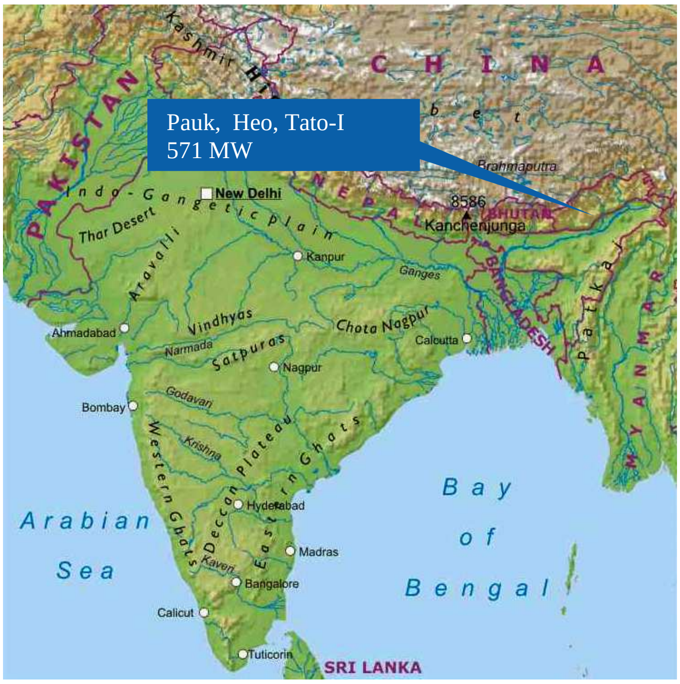
Bilah (62 MW) and Jambuaye (40-50 MW):

Jambuaye, project is not yet 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. As mentioned in the section above, in all likelihood, the probability of Bilah going through is as of today very low and it will very likely be dropped by the Group. The project is fully impaired.

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.

With regard to the land acquisition, VELCAN is not involved in the land disputes occurring among the local population, nor in any land negotiation, since land acquisition will be done by the government . 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.

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:

[1] Based on average per capita consumption of 684 Kwh in 2011 (source : World Bank)

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.

The next steps remaining to be accomplished in order to bring the projects to the next development phase are the following:

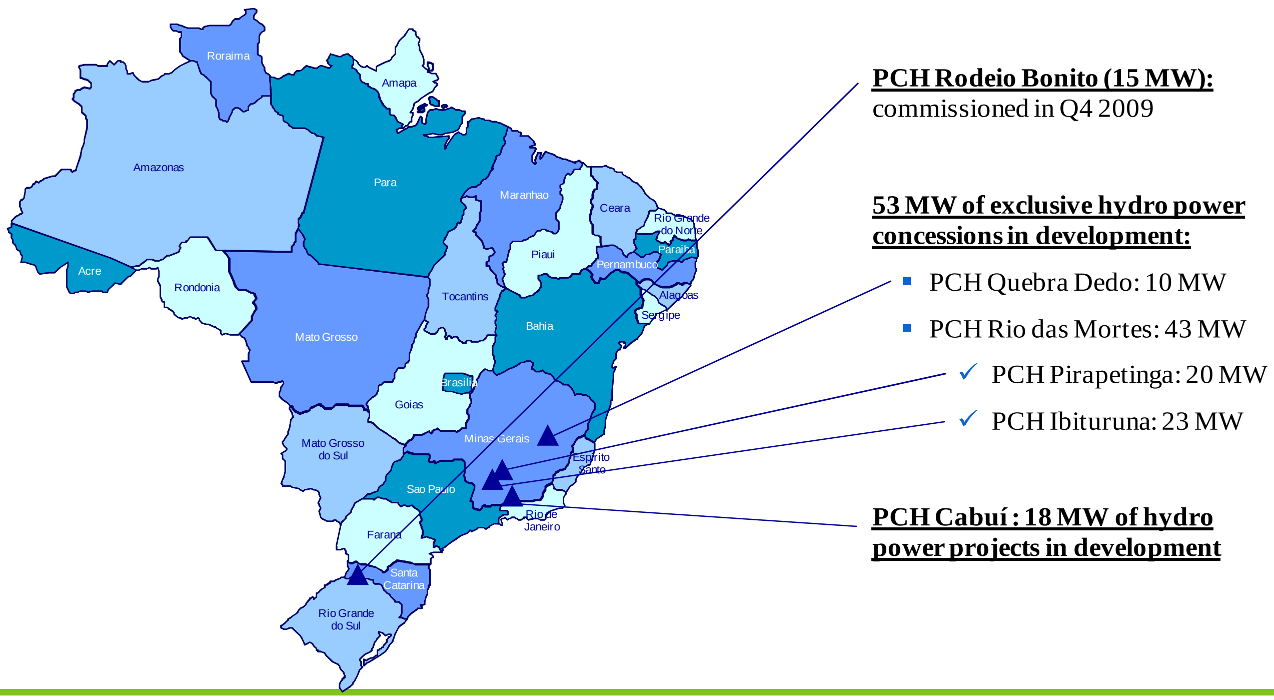
For Pauk:
- Realization of additional geological investigations
- Final submission of complete DPR
- Obtaining of *Techno-Economic Clearance* from the *Central Electricity Authority*
- All other steps mentioned below for Heo and Tato-1 HEP

For Heo and Tato-1:
- Amendment of the concession agreements to take into account the latest developments of the project including the capacity modifications and implementation timeframe extension.
- Preliminary settlement by the conceding Government of land disputes in order to i) allow access wherever required and ii) to establish the sharing ratios of project benefits and land related compensations between land owners for the three projects,
- Acquisition of land by the conceding Authority and leasing of such land to the Group
- Power Purchase Agreements negotiations
- Tenders, Allocation of EPC contract and Financial Closure

Despite the fact that the projects are subject to a heavy administrative process and delicate land-related procedures, the group has achieved significant advances since 2007, reached one of the most advanced development stage for such projects in this remote area and is confident concerning future steps.

Brazilian hydroelectric projects operation/development

At the end of 2015, the company owns projects totalling 86 MW in Brazil. It is composed of 15 MW under operation (Rodeio Bonito) and 71 MW of exclusive concessions and rights under development among which Cabui, 18 MW.



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) recorded in 2015 its highest production since the beginning of the concession (75,655 MWh, ie a plant load factor or PLF of 57%, much higher than 2014 production of 57 224 MWh).

After several years of an extreme drought that had affected the country since 2012, precipitation levels started to normalize from June 2015 onwards in the South of Brazil. This improvement in operating conditions is further compounded by an improvement in the regulatory environment after several bad news. A reform of the system, enacted in 2013 (« 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 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). During H1 2015, Rodeio Bonito HPP and Brazil in general have again contended with hydrology levels well below historical averages, triggering significant payments to the MRE. A 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. It may 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 the second half of 2015, payments by Velcan for the MRE (Energy Reallocation Mechanism) were significantly lower than in the first half (BRL 1.28m only compared to BRL 2.86m). As disclosed in September 2015, Velcan's H1 2015 operating result was heavily impacted by compensation payments in the amount of EUR 0.9m. Overall, consumed purchases, which include to a great extent payment for the MRE, actually impacted the annual operational result by EUR 1.1m in 2015 vs EUR 1m in 2014 (relatively stable in EUR).

Besides, the risk of the Rodeio Bonito concession being temporarily excluded from the MRE system because of insufficient production has significantly decreased. Even in the case of a repeated extremely negative hydrological scenario, this exclusion could not happen before January 2019. In case a plant is excluded is has to reapply to the system with a slightly lower Ensured Energy. In the meantime the plant can still sell its

[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. Given that 2012 and 2014 severe droughts, the actual historical production has been largely below the level of ensured energy for several years, which lead to a 5% downward revision of Rodeio Bonito's ensured energy in 2014. A second 5% downward revision is expected in 2016 and would come into force 6 months after VELCAN has been notified).Rodeio Bonito's Ensured Energy was 8.80 MW during 8.760 hours per year, i.e 77.088 MWh per year in 2014 (stable since November 2009, date of the commissioning) and reduced to 8.35 MW ie 73 146 MWh per year in 2015.

production in the spot market. Given that most Brazilian hydropower plants have suffered the same hydrological problem, the Group believes that such an outcome has little probability of happening anyway.

For FY 2016, Velcan expects that turnover from its Brazilian operations will be above BRL 13.6m against BRL 12.8m in 2015 (a decrease of 6% compared to 2014, mostly due to the Ensured Energy 5% decrease in 2014 with effect for 2015). The price of electricity for 2016 is already known and increased significantly with the ongoing PPAs, which are fully indexed for inflation (Inflation was above 10% in Brazil in 2015). Prudently the quantity of energy sold assumes that the amount of guaranteed energy will be cut again by 5% in H2 2016. However, at this date, Velcan has not been notified of any such cut. In such a case and without any payment from the MRE, the 2016 EBITDA from the Brazilian operations could be BRL 11.5m against BRL 6.8m in 2015 and BRL 8.5m in 2014. When converted in EUR, the EBITDA was down to EUR 1.8m in 2015 compared to EUR 2.7m in 2014 (-33%), mostly due to the cut in its Ensured Energy (-5%), the MRE additional payments increase (additional BRL 1.1 m) and the fall of the Brazilian currency against the Euro currency (-18.4% on average compared to 2014). It has been slightly compensated by a further cut in its operational costs which should generate permanent additional income in the future (-12.5% despite the high inflationary profile of the Brazilian economy). The PPAs that the Rodeio Bonito Plant has are all finishing at the end of 2016. The Group will have to sign to PPAs for the year of 2017 onwards. Historically the Group has always been able to find clients. But the price level of PPAs can vary a lot depending on renewal time. The current economic crisis in Brazil will undoubtedly push prices downwards. The main other factor impacting prices in Brazil, which depends a lot on hydropower, will be rainfall levels in 2016. In case of drought, prices of electricity are significantly higher.

Cabui (18 MW)

This project has been added to the portfolio since the rights were exclusively granted to VELCAN in January 2014. The 18 MW Cabui project has passed a significant administrative step but the Group does not think that the current economic conditions on Brazil (long term PPA prices, interest rates and construction costs) make it possible to achieve adequate return on equity. Thus its development has been adjourned and Development costs/Land costs on this project have already been entirely provisioned in the Group's balance sheet.

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.

The Group has stopped its prospecting activity in this country.

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 2015, 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)
- Indonesian Rupee (IDR)
- 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 2015 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.

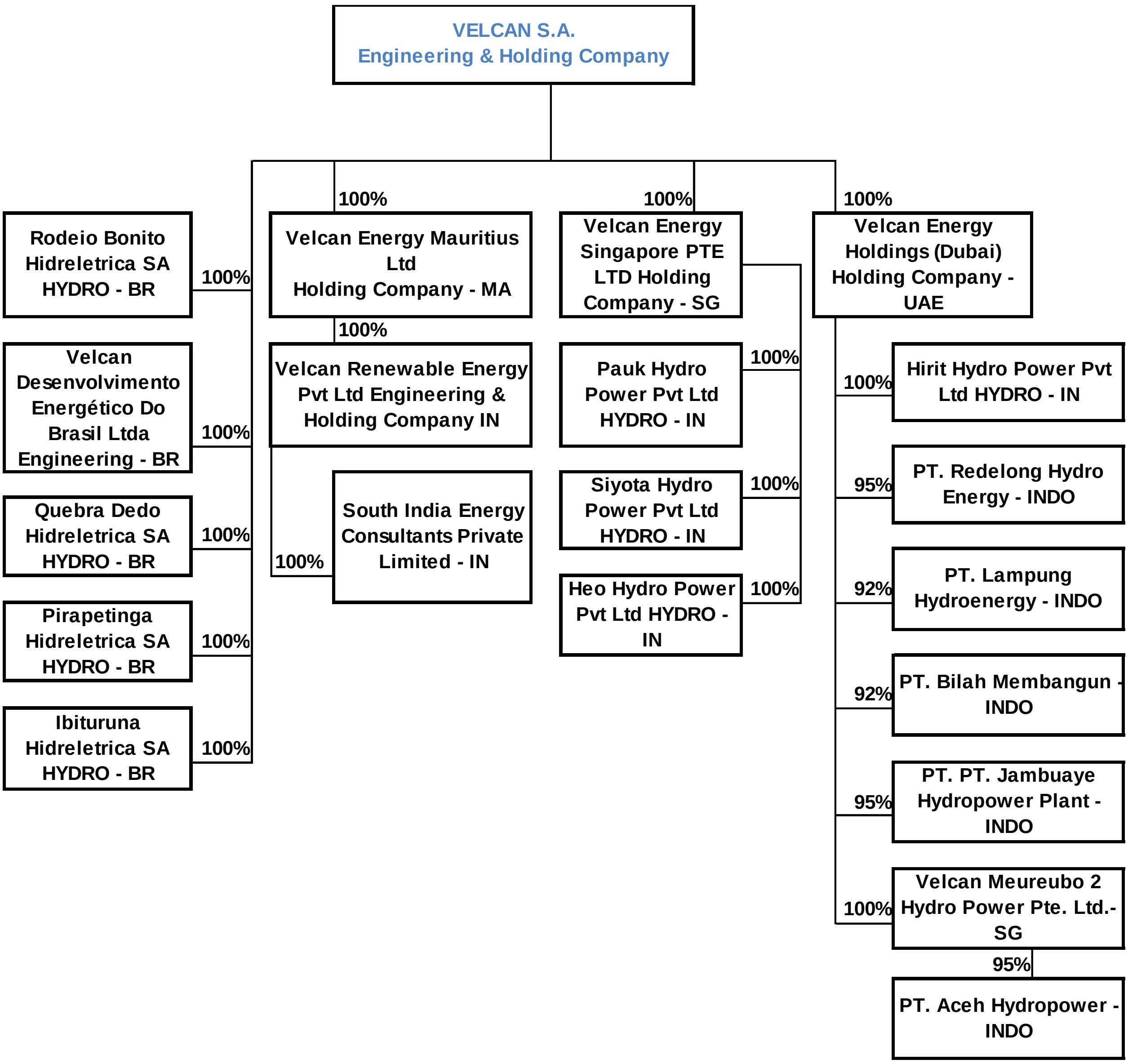
The Group also participated in the financing of the Bagepalli project located in the state of Karnataka, which entailed the construction of 5,481 methane biogas generation units for domestic use. These units enable the production of methane for domestic use (cooking) and are currently in operation. The 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 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 2015, 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 2015, 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

1. Auditors report on consolidated financial statements

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Boite Postale 351
L-2013 Luxembourg

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 consolidated financial statements of VELCAN, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow 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 of 31 December 2015, 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.

Luxembourg, 27 April 2016

BDO Audit
Cabinet de révision agréé
represented by

Daniel Hilbert

2. Consolidated statement of financial position (assets)

(in thousands of Euros)

Assets	Note	31.12.2015	31.12.2014
Non current assets			
Intangible assets	1	19,572	22,146
Tangible assets	2	10,887	15,012
Non current financial assets	3	2,840	4,664
Deferred tax assets	4	558	782
Total non-current assets		**33,857**	**42,604**
Current assets			
Current financial assets	3	38,485	46,652
Inventories		12	12
Trade and other receivables	5	247	330
Income tax receivables		96	122
Other current assets	6	535	332
Cash and cash equivalents	7	60,056	41,480
Total current assets		**99,430**	**88,928**
Total assets		**133,287**	**131,532**

3. Consolidated statement of financial position (Liabilities)

(in thousands of Euros)

Liabilities	Note	31.12.2015	31.12.2014
Equity			
Issued capital	8	7,797	7,791
Additional paid in capital	8	139,708	139,651
Other reserves and conversion reserves	8	(22,007)	(26,074)
Net income for the year		4,936	6,060
Equity attributable to the equity holders of the parent		**130,435**	**127,427**
Non-controlling interests		58	100
Total Equity		**130,493**	**127,527**
Non current liabilities			
Non-current financial liabilities	9	31	1,210
Non current provisions	10	886	827
Other non current liabilities	11	980	914
Total non-current liabilities		**1,897**	**2,951**
Current liabilities			
Current financial liabilities	9	60	361
Current provisions	10	21	31
Trade and other payables	12	711	441
Income tax payables		97	210
Other current liabilities	13	9	12
Total Current Liabilities		**898**	**1,054**
Total Liabilities		**133,287**	**131,532**

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

(in thousands of Euros)

Statement of Profit & Loss	Note	31.12.2015	31.12.2014
Operating revenues	14	3,469	4,529
Other operating revenues	14	1	204
Total operating revenues		**3,470**	**4,734**
Purchases	15	(1,126)	(1,132)
External expenses		(1,466)	(1,093)
Payroll expenses	17	(1,185)	(593)
Operating tax expenses		(29)	(8)
Depreciation, Amortization & Provisions	18	(3,828)	(1,036)
Current operating result	14	**(4,165)**	**871**
Other operating income	19	2,990	130
Other operating expenses	19	-	-
Operating result		**(1,175)**	**1,001**
Financial Income	20	8,376	7,313
Financial expenses	20	(1,757)	(1,048)
Financial Result		**6,619**	**6,265**
Income tax expense (-) / benefit (+)	4	(556)	(1,202)
Net result from continuing operations		**4,888**	**6,064**
Net result, group share		**4,936**	**6,060**
Net result, shares of non-controlling interests		**(48)**	**4**
Earnings per share (in Euros)	21	0.83	1.01
Diluted earnings per share (in Euros)	21	0.79	0.99
EBITDA	14	**2,654**	**1,907**

Statement of total comprehensive Income	Note	31.12.2015	31.12.2014
Net income		4,888	6,064
Other comprehensive Income	8	(2,023)	3,596
Total Comprehensive Income		**2,864**	**9,660**
thereof attributable to non-controlling interests		55	(11)
Group Total Comprehensive income		**2,919**	**9,648**

5. Consolidated cash flow statements

(in thousands of Euros)

Cash Flows	Note	31.12.2015	31.12.2014
Net consolidated profit		**4,888**	**6,064**
Adjustments for:			
Amortization and depreciation	18	3,828	1,036
Impairment, provision and write back		(10)	-
Income/loss from disposals of fixed assets		(2,867)	(48)
Expenses for share based payments		268	344
Interest Income	20	(2,564)	(2,563)
Change in deferred tax	4	224	721
Current Income tax expense (benefit)	4	333	480
Net change in fair value of financial instruments	20	(1,555)	(2,970)
Interests & dividends received		2,843	2,345
Current Income tax paid		(430)	(333)
Other financial income and expense	20	(2,501)	(731)
Variation of operating working capital		105	(499)
Cash flows from operating activities		**2,563**	**3,845**
Purchase / sale of affiliates		-	205
Acquisition of tangible and intangible assets	1-2	(3,569)	(3,723)
Disposal of tangible and intangible assets	1-2	6,323	103
Acquisition/Disposal of financial instruments	3	10,272	(7,603)
Change in loans and advances granted		28	(39)
Other financial income and expense	20	2,501	731
Cash flows from investment operations		**15,554**	**(10,326)**
Capital increase		64	74
Net acquisition of own shares	8	(251)	-
Cash flows from financing operations		**(187)**	**74**
Net foreign currency translation differences		**646**	**1,874**
Net cash flow variation		**18,576**	**(4,532)**
Net opening cash		41,480	46,012
Net closing cash		60,056	41,480

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 01.01.2014	**7,781**	**139,586**	**(15,223)**	**(9,755)**	**(5,030)**	**117,360**	**52**	**117,412**
Net income	-	-	-	-	6,060	**6,060**	4	6,064
Other comprehensive income	-	-	-	3,589	-	**3,589**	7	3,596
Total comprehensive income	-	-	-	3,589	6,060	**9,648**	11	9,660
Distribution of dividends	-	-	-	-	-	**-**	-	-
Stock-Options exercised	10	64	-	-	-	**74**	-	74
Fair value of Stock-Options	-	-	-	-	344	**344**	-	344
Own Shares acquisition	-	-	-	-	-	**-**	-	-
Share capital increases subscribed by noncontrolling interests	-	-	-	-	-	**-**	37	37
Other	-	-	-	-	-	**-**	-	-
Situation at 31.12.2014	**7,791**	**139,651**	**(15,223)**	**(6,166)**	**1,374**	**127,427**	**100**	**127,527**
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
Distribution of dividends	-	-	-	-	-	**-**	-	-
Stock-Options exercised	7	58	-	-	-	**64**	-	64
Fair value of Stock-Options	-	-	-	-	268	**268**	-	268
Own Shares acquisition	-	-	(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**

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 2015 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 27th, April 2016 and the consolidated financial statements were authorized for issuance on 27th, April 2016. 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 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 2015, 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 2015:

Standard/Interpretation	
IAS 19 (amendments)	Defined Benefit Plans: Employee Contributions

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	pending
IFRS 15	Revenue from Contracts with Customers	2017	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 IAS 27	Equity method in Separate Financial Statements per IFRS	2016	Dec-15
Amendments IAS 16 and IAS 41	Amendments for bearer plants	2016	Nov-15
Amendments IAS 16 and IAS 38	Amendments for acceptable methods of depreciation and amortisation	2016	Dec-15
Amendments IFRS 11	Amendments for accounting for acquisition of an interest in a joint operation	2016	Dec-15
Amendments IAS 1	Disclosures	2016	Dec-15
Amendments IFRS 10, IFRS 12 and IAS 28	Clarification to the application of consolidation and equity accounting requirements of investment entities and non-investment entities with (direct and indirect) interests in investment entities	2016	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) Change in accounting policies and restatement of prior year errors (IAS 8)

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis.

In 2015, the Group noted that the 2014 Cash flows from operating activities were excluding interests and dividends received which were indirectly included in the line “Other financial income and expense” of the Cash flows from investment operations. As a result, these interests have been identified and reclassified as Cash flows from operating activities in the Cash Flow Statement.

The following table restates the Cash-Flow Statement, following prior year error:

(in thousands of euros)			After restatement	Before restatement
Cash Flows	**Note**	**31.12.2015**	**31.12.2014**	**31.12.2014**
Net consolidated profit		**4,888**	**6,064**	**6,064**
Adjustments for:				
Amortization and depreciation	18	3,828	1,036	1,036
Impairment, provision and write back		(10)	-	-
Income/loss from disposals of fixed assets		(2,867)	(48)	(48)
Expenses for share based payments		268	344	344
Interest Income	20	(2,564)	(2,563)	-
Change in deferred tax	4	224	721	721
Current Income tax expense (benefit)	4	333	480	480
Net change in fair value of financial instruments	20	(1,555)	(2,970)	(2,970)
Change in accrued interests	20	-	-	(219)
Interests & dividends received		2,843	2,345	-
Current Income tax paid		(430)	(333)	(333)
Other financial income and expense	20	(2,501)	(731)	(3,076)
Variation of operating working capital		105	(499)	(499)
Cash flows from operating activities		**2,563**	**3,845**	**1,501**
Purchase / sale of affiliates		-	205	205
Acquisition of tangible and intangible assets	1-2	(3,569)	(3,723)	(3,723)
Disposal of tangible and intangible assets	1-2	6,323	103	103
Acquisition/Disposal of financial instruments	3	10,272	(7,603)	(7,603)
Change in loans and advances granted		28	(39)	(39)
Other financial income and expense	20	2,501	731	3,076
Cash flows from investment operations		**15,554**	**(10,326)**	**(7,982)**
Capital increase		64	74	74
Net acquisition of own shares	8	(251)	-	-
Cash flows from financing operations		**(187)**	**74**	**74**
Net foreign currency translation differences		**646**	**1,874**	**1,874**
Net cash flow variation		**18,576**	**(4,532)**	**(4,532)**
Net opening cash		41,480	46,012	46,012
Net closing cash		60,056	41,480	41,480

B) “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”.

C) “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.

D) 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 17.2m as of December 2015 against EUR 18.9m as of December 2014).

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;
- carbon credit trading for 2014 FY;
- and, incidentally, engineering service revenues.

To date, the Group's activities of buying and selling of carbon credits are not carried out on behalf of customers. Thus sales have been accounted as gross sales in the 2014 Group's turnover. No revenue pertaining to carbon credits was recognized in 2015.

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.

R) Other operating income and expenses

Other operating income and expenses consist of transactions which, due to their characteristics, unusual nature or non-recurrence, cannot be considered inherent in the Group's business.

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. Change in base of consolidation and perimeter

As of 31 December 2015, 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 2015.12	% of Interest 2015.12	% of control 2014.12	% of Interest 2014.12	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 2015.12**	**% of Interest 2015.12**	**% of control 2014.12**	**% of Interest 2014.12**	**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
TARINI HYDRO ENERGY PVT LTD	Plot No. 85, Bapuji Nagar, Near UP School, Bhubaneswar, Orissa - 751 009	Full integration	0%	0%	100%	100%	Created on 29/11/2006 Closed on 04/06/2015
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 2015.12**	**% of Interest 2015.12**	**% of control 2014.12**	**% of Interest 2014.12**	**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 2015.12	% of Interest 2015.12	% of control 2014.12	% of Interest 2014.12	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, 3º 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	100%	100%	100%	100%	Created on 01/02/2008
PIRAPETINGA HIDRELETRICA	Rua São Tomé, 86 cj 192. Vila Olímpia 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 Olímpia 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 2015.12	% of Interest 2015.12	% of control 2015.12	% of Interest 2015.12	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 2015.12	% of Interest 2015.12	% of control 2014.12	% of Interest 2014.12	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
HYDRO LAOS INVESTMENT PTE LTD	1 Scotts Road #24-05 Shaw Centre Singapore 228208	Full integration	0%	0%	100%	100%	Created on 04/06/2013 Sold on 18/09/2015
HYDRO LAOS INVESTMENT 2 PTE LTD	1 Scotts Road #24-05 Shaw Centre Singapore 228208	Full integration	0%	0%	100%	100%	Created on 19/11/2013 Sold on 18/09/2015
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

Representative Office in Lao Republic	Adress	Method of Consolidation	% of control 2015.12	% of Interest 2015.12	% of control 2014.12	% of Interest 2014.12	Comments
REPRESENTATIVE OFFICE OF VELCAN ENERGY DUBAI HOLDING LTD	16/229 Setthatirath St. Simuang Village, Sisattanak District, Vientiane, Lao PDR	Full integration	0%	0%	100%	100%	Created on 04/05/2011 Closed on 09/11/2015

Company in Indonesia	Adress	Method of Consolidation	% of control 2015.12	% of Interest 2015.12	% of control 2014.12	% of Interest 2014.12	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%	80%	80%	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%	92%	92%	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%	85%	85%	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%	0%	0%	Created on 05/08/2015
PT. Bengkulu Hydropower	Gedung Inti Centre Jl. Taman Kemang No. 32 A, Bangka, Mampang Prapatan, Jakarta 12730, Indonesia	Full integration	0%	0%	95%	95%	Created on 16/07/2012 Sold on 18/05/2015

7.2.2. Changes in consolidation scope

VELCAN has incorporated a new company in Indonesia: PT Jambuaye Hydropower Plant.
VELCAN has closed two entities, one in Laos (Representative office of Velcan Energy Holding Dubai), one in India (Tarini Hydro Energy Pvt Ltd).
VELCAN has sold its full interest in three subsidiaries, two in Singapore (Hydro Laos Investment and Hydro Laos Investment 2) and one in Indonesia (PT Bengkulu Hydropower).

7.3. Currency rates

1 € =	31.12.2015		31.12.2014	
	Closing rate	Average rate	Closing rate	Average rate
BRL (Brazilian Real)	4.32	3.70	3.27	3.13
INR (Indian Rupee)	72.29	71.29	77.47	81.09
AED (Dirham UAE)	4.01	4.08	4.47	4.88
USD (US Dollar)	1.09	1.11	1.22	1.33
SGD (Singapore Dollar)	1.54	1.53	1.61	1.68
IDR (Indonesian Rupiah)	15,171	14,936	15,139	15,756
NOK (Norwegian Krone)	9.62	8.96	9.06	8.36

7.4. Notes on the balance sheet and income statement

Note 1 –Intangible Assets

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)**
Change in perimeter	-	-	-	**-**
Acquisitions	-	3,470	3	**3,473**
Disposals/Write off	(0)	(3,579)	(3)	**(3,582)**
Reclassification	-	-	-	**-**
Other movements				**-**
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**
Change in perimeter	-	-	-	**-**
Amortization/Impairment for the year	(103)	(2,972)	(47)	**(3,122)**
Disposals/Write back	0	133	2	**136**
Reclassification	-	-	-	**-**
Other movements				**-**
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**

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 2.4m
- Direct costs on hydroelectric projects under development (India, Lao PDR, Indonesia): EUR 17.2m

The most significant changes during FY 2014 refer to:

- capitalization of development fees on projects under development: EUR 3.5m
- impact of FX variation: EUR 0.5m
- impairment / disposal /depreciation (net of written back impairment): EUR -6.6m

Of which

- Rodeio Bonito: EUR -0.2m
- Laotian project disposal: EUR 3.6 m
- Indonesian projects impairments: EUR 3m

Intangible assets as of 31 December 2014 are detailed as follows:

In thousands of euros	Development costs	Intangible assets in progress	Licenses, patents and rights	Total
Gross value	2 930	20 606	1 296	**24 833**
Amortization & Impairment	(486)	(6 810)	(217)	**(7 513)**
Net closing balance at 31.12.2013	**2 444**	**13 797**	**1 079**	**17 320**
Gross value				
Opening balance at 01.01.2014	2 930	20 606	1 296	**24 833**
Foreign Currency translation	(6)	1 748	(3)	**1 738**
Acquisitions	7	3 598	-	**3 605**
Disposals/Write off	(39)	(51)	-	**(90)**
Reclassification	(53)	(119)	7	**(165)**
Closing balance at 31.12.2014	2 839	25 782	1 300	**29 921**
Amortization & Impairment				
Opening balance at 01.01.2014	(486)	(6 810)	(217)	**(7 513)**
Foreign Currency translation	6	(165)	3	**(157)**
Amortization/Impairment for the year	(121)	(137)	(56)	**(314)**
Disposals/Write back	7	202	-	**209**
Reclassification	7	-	(7)	**(0)**
Closing balance at 31.12.2014	(588)	(6 910)	(277)	**(7 775)**
Net closing balance at 31.12.2014	**2 251**	**18 872**	**1 023**	**22 146**
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**

Note 2 –Tangible assets

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**
<u>Gross value</u>					
Opening balance at 01.01.2015	18,905	298	24	176	**19,403**
Foreign Currency translation	(4,584)	(17)	2	(7)	**(4,607)**
Change in perimeter	-	-	-	-	**-**
Acquisitions	85	(0)	0	7	**92**
Disposals/Write off	(10)	(33)	-	(1)	**(44)**
Reclassification	-	-	-	-	**-**
Other movements					**-**
Closing balance at 31.12.2015	14,396	248	26	175	**14,844**
<u>Depreciation & Impairment</u>					
Opening balance at 01.01.2015	(4,064)	(219)	-	(108)	**(4,391)**
Foreign Currency translation	1,089	13	-	4	**1,106**
Change in perimeter	-	-	-	-	**-**
Depreciation/Impairment for the year	(663)	(48)	-	5	**(706)**
Disposals/Write back	1	31	-	1	**34**
Reclassification	-	-	-	-	**-**
Other movements					**-**
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**

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 10.6m
- Projects under development EUR 0.2m

Main variations were:

- FX impact on retranslation of the Rodeio Bonito powerplant: EUR -3.5 m due to the BRL depreciation (EUR 0.0 m for 2014 FY).
- Depreciation on the Rodeio Bonito powerplant: EUR 0.7m (EUR 0.8 m for 2014 FY).

Tangible assets variations as of 31 December 2014 are detailed as follows:

In thousands of Euros	Land and Buildings	Technical installations	Vehicles	Furniture computer equip.	Tangible assets in progress	Total
Gross Value	18 695	304	70	145	8	**19 223**
Depreciation & Impairment	(3 317)	(190)	(48)	(82)	-	**(3 636)**
Net closing balance at 31.12.2013	**15 378**	**115**	**22**	**63**	**8**	**15 586**
Gross value						
Opening balance at 01.01.2014	18 695	304	70	145	8	**19 223**
Foreign Currency translation	(48)	5	4	8	0	**(29)**
Acquisitions	109	7	-	2	-	**118**
Disposals/Write off	(16)	(6)	(50)	(0)	-	**(73)**
Reclassification	164	(13)	-	22	(9)	**165**
Closing balance at 31.12.2014	18 905	298	24	176	-	**19 403**
Depreciation & Impairment						
Opening balance at 01.01.2014	(3 317)	(190)	(48)	(82)	-	**(3 636)**
Foreign Currency translation	43	(3)	(2)	(4)	-	**33**
Depreciation/Impairment for the year	(790)	(40)	(0)	(9)	-	**(838)**
Disposals/Write back	0	-	50	0	-	**51**
Reclassification	(0)	14	(0)	(13)	-	**0**
Closing balance at 31.12.2014	(4 064)	(219)	0	(108)	-	**(4 391)**
Net closing balance at 31.12.2014	**14 841**	**78**	**24**	**69**	**-**	**15 012**
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**

Note 3 –Current and non-current Financial assets

Financial assets are mainly consisting in listed bonds and equities:

Thousands of Euros	31.12.2015	31.12.2014
Financial assets designated at fair value through profit and loss	38,485	46,652
Total Current Financial assets	**38,485**	**46,652**
Financial assets designated at fair value through profit and loss	2,600	4,409
Loans and receivables	239	255
Total non-current financial assets	**2,840**	**4,664**
Total financial assets	**41,324**	**51,317**

Note 4 – Deferred tax and Income Tax

The income tax is broken down as follows:

In thousands of Euros	31.12.2015	31.12.2014
Current Income Tax	(333)	(480)
Deferred tax	(224)	(721)
Tax income (+) and Expenses (-)	**(556)**	**(1,202)**

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	31.12.2015	31.12.2014
Net income	**4,888**	**6,064**
Net profit of investment accounted for using the equity method	-	-
Income tax	(556)	(1,202)
Income before tax	**5,444**	**7,265**
Theoretical rate of taxation	**29.22%**	**29.22%**
Theoretical tax profit (+) or loss (-)	**(1,591)**	**(2,123)**
Permanent/temporary differences	753	510
Variation of tax loss recognized as assets	(224)	(721)
Tax loss not recognized as assets	(514)	(174)
Tax rate differences	974	1,324
Other differences	46	(17)
Tax Income (+) and Expenses (-)	**(556)**	**(1,202)**
Actual rate of taxation	**10.2%**	**16.5%**

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 - Clients and other receivables

The Group previously owned two Biomass power plants in India, named Satyamaharshi (SMPCL) and Rithwik (RPPL). As of 31 December 2015, 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.

The hydro power sales receivables relate to Rodeio Bonito 2015 power production and amount to EUR 0.2m. Payment has been received subsequent to year end.

In thousands of Euros	31.12.2015	31.12.2014
Biomass electricity customers in India	2,695	2,515
Provision on Biomass electricity customers	(2,695)	(2,515)
Hydro electricity customers	247	330
Total	**247**	**330**

Note 6 –Other Current Assets

Other current assets are broken down as follows:

In thousands of Euros	31.12.2015			31.12.2014		
	Gross	Prov.	Net	Gross	Prov.	Net
Trade of carbon credits (1)	459	(459)	-	459	(459)	-
Tax and social receivables	255	-	255	98	-	98
Other receivables	281	-	281	234	-	234
Total	**994**	**(459)**	**535**	**791**	**(459)**	**332**

(1) The Carbon credit part reported in “other current assets” corresponds to carbon credits delivered related to green energy production in former biomass plants owned in India and related to the first period of Bagepalli project. Due to the CERs’ falling price, those assets have been fully impaired.

Note 7 – Cash & Cash equivalents

The Cash & Cash equivalent is allocated as follows:

In thousands of Euros	31.12.2015	31.12.2014
Cash equivalent	28,009	25,014
Cash	32,047	16,466
Cash & Cash equivalent (Assets)	**60,056**	**41,480**
Current creditor bank accounts	-	-
Total net cash balance	**60,056**	**41,480**

Note 8 –Equity

Capital:

As at 31 December 2015, the subscribed capital amounts to EUR 7,797,442 represented by 7,797,442 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.

Own Shares:

At 31st December 2015, the Group holds 1,821,132 own shares (+25,098 own shares relative to 31st December 2014). At year end closing price of EUR 13.40, those own shares have a market value of EUR 24.4m. 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	31.12.2015	Unit Price	31.12.2014	Unit Price
At beginning of the period	**7,790,942**	**1.0**	**7,780,942**	**1.0**
Cash Capital increase on 11 March 2014			10,000	1.0
Cash Capital increase on 5 May 2015	1,000	1.0		
Cash Capital increase on 10 december 2015	5,500	1.0		
At the end of the period	**7,797,442**	**1.0**	**7,790,942**	**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 2015, those cumulative reserves represent an unrealized loss of EUR -8.2m, booked against equity, versus a net unrealized loss of EUR -6.2m at the end of 2014.

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)

In thousands of Euros **unrealized cumulative exchange loss on conversion reserves**	Conversion reserve on Retained Earnings and Equity	Conversion reserve on LT Interco Loans	Total
Opening balance at 01.01.2014	(4,642)	(5,112)	(9,755)
Variation in 2014	467	3,122	3,589
Closing balance at 31.12.2014	(4,175)	(1,991)	(6,166)

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	26.10.2005	20.02.2009	20.10.2009	09.12.2009	09.04.2010	03.01.2011	21.03.2012	23.04.2013	23.04.2013	20.08.2015
Total number of equity warrants allocated	10,000	28,000	40,000	390,000	4,500	6,000	11,500	434,600	8,000	3,200
Number of equity warrants existing on 31/12/2015	6,000	3,000	40,000	390,000	-	4,000	6,000	431,600	8,000	3,200
Number of equity warrants exercisable on 31/12/2015	6,000	3,000	40,000	390,000	-	4,000	6,000	20,900	8,000	800
Number of equity warrants exercised on 31/12/2015	4,000	14,500	-	-	2,000	2,000	750	750	-	-
Allocation date	26/10/2005	20/02/2009	20/10/2009	09/12/2009	09/04/2010	03/01/2011	21/03/2012	23/04/2013	23/04/2013	20/08/2015
Expiry date	26/10/2020	31/12/2020	31/12/2017	31/12/2017	09/04/2020	03/01/2021	21/03/2022	23/04/2023	23/04/2023	20/08/2025
Subscription price in euros	12.46 €	7.50 €	8.00 €	8.25 €	8.70 €	12.00 €	10.50 €	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	12.04.2007	29.05.2007	27.02.2008	20.02.2009	09.04.2010	03.01.2011	21.03.2012	22.04.2013	22.04.2013	20.08.2015	20.08.2015
Total number of options allocated	9,000	6,000	74,500	77,500	22,000	21,000	12,000	35,800	8,000	24,850	30,000
Number of options existing as at 31/12/2015	5,000	6,000	1,000	5,000	2,500	10,000	8,000	29,800	8,000	24,850	30,000
Number of options exercisable as at 31/12/2015	5,000	6,000	1,000	5,000	2,500	2,500	8,000	11,950	8,000	6,212	1,000
Number of options exercised as at 31/12/2015	-	-	-	12,000	200	-	-	-	-	-	-
Allocation date	12/04/2007	29/05/2007	27/02/2008	20/02/2009	09/04/2010	03/01/2011	21/03/2012	22/04/2013	22/04/2013	20/08/2015	20/08/2015
Expiry date	10/04/2017	29/05/2017	27/02/2018	20/02/2019	09/04/2020	03/01/2021	21/03/2022	22/04/2023	22/04/2023	20/08/2025	20/08/2025
Subscription price in Euros	20.03 €	22.16 €	27.70 €	7.50 €	8.70 €	12.00 €	10.50 €	10.00 €	21.40 €	9.50 €	11.00 €

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 0.6m 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.

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 31/12/2015). 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 31/12/2015). As a result, the total number of voting rights in the company, existing at 31st December, 2015, is as follow: 11,719,601.

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	31.12.2014	Reversal	Forex Difference	31.12.2015
Provision for disputes (1)	827	-	59	886
Total Provisions (non-current liabilities)	**827**	**-**	**59**	**886**
Provision for disputes	31	(10)	0	21
Total provisions (current liabilities)	**31**	**(10)**	**0**	**21**
Total provisions	**858**	**(10)**	**60**	**907**

(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 2015).

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 2015 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 2015 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 31/12/2015 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 31/12/2015 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 31/12/2015 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 2015 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 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	31.12.2015	31.12.2014
Suppliers	462	205
Debts on acquisition of fixed assets (1)	145	198
Others	103	38
Total	**711**	**441**

(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**.

31.12.2015 *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**

31.12.2014 *In thousands of Euros*	Europe	South America	Middle East & Africa	Asia	Total
Income Statement					
Turnover (1)	147	4,382	-	-	**4,529**
Current operating profit	(902)	1,452	1,359	(1,038)	**871**
EBITDA (2)	(818)	2,492	1,299	(1,066)	**1,907**
Net Income (Group Share)	1,027	461	5,500	(924)	**6,064**

(1) More than 10% of the turnover is coming from one single client.

(2) The EBITDA corresponds to Earnings Before Interest Taxes, Depreciation and Amortization

In 2015, Velcan SA is the sole entity included in European Geographical area.

The turnover per activity is as follows: EUR 3.5m for hydro sales.

Note 15 –Consumed purchases

Those amounts correspond essentially to MRE payments in Brazil for EUR 1.0m in 2014 and 2015 (page 6).

Note 16 –Auditor fees

In thousands of Euros	31.12.2015
Annual accounts auditor fees (BDO)	81
Annual accounts auditor fees (others)	2
Other audit fees (others)	2
Total	**84**

Note 17 –Employee expenses

Total average number of employees

Number	31.12.2015	31.12.2014
Engineers and executives	28	27
Office workers and Manual workers	17	16
Average registered number of employees	**45**	**43**

Key management personnel compensation
In thousands of Euros

- short-term employee benefits (1): 877
- 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	31.12.2015	31.12.2014
Intangible assets		
Amortization	(150)	(177)
Provision allowance (1)	(3,096)	(137)
Write Back on provision/Disposal	124	78
Total Intang. Assets	**(3,122)**	**(236)**
Tangible assets		
Amortization (2)	(706)	(838)
Provision allowance	-	-
Write Back on provision	-	73
Total Tangible Assets	**(706)**	**(766)**
Other prov. and dep. (net)		
- other operating Exp., liabilities	-	(35)
- liabilities and charges	-	-
Total other	**-**	**(35)**
Total amort., dep. and prov.	**(3,828)**	**(1,036)**

(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	31.12.2015			31.12.2014		
	Income	Expense	Total	Income	Expense	Total
Net Change in Fair Value on FI*	1,555	-	1,555	2,970	-	2,970
Interest & dividends Income (Expense) on FI	2,564	-	2,564	2,563	-	2,563
Other result from FI	92	(581)	(489)	-	(902)	(902)
Result from cash and cash equivalents	184	-	184	439	-	439
Foreign currency translation gains/Losses	3,982	(1,177)	2,805	1,341	(147)	1,194
Total financial result	**8,376**	**(1,757)**	**6,619**	**7,313**	**(1,048)**	**6,265**

*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:

	31.12.2015	31.12.2014
Net earnings (in thousands of euros)	**4,936**	**6,060**
Weighted average shares in circulation (1)	5,976,083	5,992,990
Earnings per share (in euros)	**0.83**	**1.01**
Weighted average of convertible instruments converted into ordinary shares (2)	6,216,460	6,141,012
Diluted earnings per share (in euros)	**0.79**	**0.99**

(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, 2015

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 1,521,818.85) 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 2015, 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 470,240.

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 31.12.2014	Net acquisitions & Disposals	Change in accrued interests	Foreign Currency Translation	Change in fair value (P&L)	Closing 31.12.2015
Level 1	46,652	- 12,556	- 279	514	442	34,774
Level 2	4,409	776	-	-	1,126	6,312
Total assets	**51,062**	**- 11,780**	**- 279**	**514**	**1,568**	**41,085**
Level 2	- 1,571	1,494			- 13	- 90
Total liabilities	**- 1,571**	**1,494**	**-**	**-**	**- 13**	**- 90**
Net assets & liabilities	**49,490**	**- 10,286**	**- 279**	**514**	**1,555**	**40,995**

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 3.8m 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, recognised 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) 114%
- Euros (EUR) (15%)
- Others 1%

As of 31 December 2015, 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%	347	1857
EUR/USD	10%	0	11816
EUR/SGD	10%	0	369
EUR/IDR	10%	0	116
EUR/INR	10%	0	906

(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 2015 amounts to EUR 31.9m.

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.

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 2015

On March 2016, the Group has announced that it has started prospection activities in solar power projects as construction costs are going down very fast. The Group is now working on securing the concession for several projects, and will keep the market updated of the progress of these projects on a regular basis. No development costs have been capitalized nor concession been accounted in the portfolio at 2015 FY end.

On March 2016, the Group has announced that it puts on hold the construction of Sukarame power plant following the lack of progress from the Indonesian off-taker, PT PLN, and its failure, so far, 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. This impairment has been taken into account in 2015 FY financials.

On April 2016, the Group has announced additional delay on Meureubo 2, following the cancellation of the RFP process (tender and PPA negotiation) as PLN and Velcan failed to reach an agreement on the extension modalities of the current RFP process. While this may result in an additional delay, the Management is still of the opinion that, considering the technical and commercial feasibility of the project, no impairment has to be booked in 2015 FY.