

# VELCAN

## **Consolidated Financial Statements as of 30th June 2014 (Unaudited)**

### **Velcan S.A.**

RCS Luxembourg B145006

Euronext Alternext - ALVEL

[www.velcanenergy.com](http://www.velcanenergy.com)

## SUMMARY

<b>CONSOLIDATED BALANCE SHEET ASSETS .....</b>	<b>3</b>
<b>CONSOLIDATED BALANCE SHEET LIABILITIES .....</b>	<b>4</b>
<b>INCOME STATEMENT .....</b>	<b>5</b>
<b>COMMENTS ON CONSOLIDATED FINANCIAL STATEMENTS .....</b>	<b>6</b>
1. COMPANY PRESENTATION.....	6
2. MANAGEMENT COMMENTS / COMMERCIAL AND FINANCIAL MATTERS .....	7
3. COMMENTS ON THE FINANCIAL STATEMENTS.....	8
4. SIGNIFICANT EVENTS AFTER 30 <sup>TH</sup> JUNE 2014 .....	10

**CONSOLIDATED BALANCE SHEET ASSETS***Thousands of Euros*

<b>Assets</b>	<b>30.06.2014</b>	<b>31.12.2013</b>
<b>Non current assets</b>		
Goodwill	-	-
Intangible assets	19 110	17 320
Tangible assets	16 450	15 586
Non current financial assets	4 231	2 448
Investments accounted for using the equity method	-	-
Other non current assets	35	76
Deferred tax assets	1 503	1 503
<b>Total non-current assets</b>	<b>41 329</b>	<b>36 932</b>
<b>Current assets</b>		
Inventories	12	1
Trade and other receivables	509	325
Income tax receivables	165	199
Other current assets	268	483
Cash and cash equivalents	83 367	84 046
<b>Total current assets</b>	<b>84 321</b>	<b>85 054</b>
<b>Total assets</b>	<b>125 650</b>	<b>121 986</b>

**CONSOLIDATED BALANCE SHEET LIABILITIES***Thousands of Euros*

<b>Liabilities</b>	<b>30.06.2014</b>	<b>31.12.2013</b>
<b>Shareholders equity</b>		
Issued capital	7 791	7 781
Additional paid in capital	139 651	139 586
Other reserves and conversion reserves	(27 737)	(25 916)
Net income for the year	1 224	(4 092)
<b>Total shareholders equity</b>	<b>120 928</b>	<b>117 360</b>
<b>Minority interests</b>	<b>49</b>	<b>52</b>
<b>Total Consolidated equity</b>	<b>120 977</b>	<b>117 412</b>
<b>Non current liabilities</b>		
Non-current financial liabilities	783	1 035
Deferred tax liabilities	-	-
Non current provisions	801	772
Other non current liabilities	799	726
<b>Total non-current liabilities</b>	<b>2 383</b>	<b>2 533</b>
<b>Current liabilities</b>		
Current financial liabilities	1 035	1 423
Current provisions	30	25
Trade and other payables	548	302
Income tax payables	72	78
Other current liabilities	606	214
<b>Total Current Liabilities</b>	<b>2 291</b>	<b>2 042</b>
<b>Total Liabilities</b>	<b>125 650</b>	<b>121 986</b>

**INCOME STATEMENT***Thousands of Euros*

<b>Result</b>	<b>30.06.2014</b>	<b>30.06.2013</b>
Net turnover	2 465	2 307
Other operating revenue	-	20
<b>Total operating revenue</b>	<b>2 465</b>	<b>2 327</b>
Consumed purchases	(989)	(303)
Changes in inventories	-	-
External expenses	(725)	(926)
Payroll expenses	(357)	(488)
Taxes	(9)	(33)
Depreciation, Amortization & Provisions	(429)	(554)
<b>Current operating profit</b>	<b>(44)</b>	<b>23</b>
Other operating income	95	-
Other operating expenses	-	(37)
<b>Operating profit</b>	<b>51</b>	<b>(14)</b>
Financial Income	2 611	1 541
Financial expenses	(1 257)	(1 920)
<b>Financial Result</b>	<b>1 353</b>	<b>(379)</b>
Income tax	(185)	186
Profit of investments accounted for using the equity method	-	-
<b>Net profit from continuing operations</b>	<b>1 219</b>	<b>(207)</b>
<b>Net profit from discontinuing operations</b>	<b>-</b>	<b>-</b>
<b>Profit, group share</b>	<b>1 224</b>	<b>(198)</b>
<b>Profit, minorities share</b>	<b>(4)</b>	<b>(9)</b>
Earnings per share (in euros)	0,20	(0,03)
Diluted earnings per share (en euros)	0,20	(0,03)
		-
<b>EBITDA</b>	<b>385</b>	<b>576</b>
<b>Statement of total comprehensive Income</b>	<b>30.06.2014</b>	<b>30.06.2013</b>
Net income	1 219	(198)
Foreign currency translation comprehensive income	2 113	(2 054)
<b>Total Comprehensive Income</b>	<b>3 333</b>	<b>(2 252)</b>

## COMMENTS ON CONSOLIDATED FINANCIAL STATEMENTS

### 1. COMPANY PRESENTATION

Velcan (ALVEL FP) develops and operates hydro power concessions in emerging markets.

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

Hydro power is attractive and can be an important contributor to the economic development of these countries:

- Chronic electricity shortages are an impediment to social and economic development. For instance, an estimated 308 million people do not have regular access to electricity in India.
- Under-capacity has led both the Indian and Brazilian national governments to liberalize their national electricity market to allow increased private and foreign competition.
- Laos has a strategic position in South-East Asia and can export electricity to growing countries such as Thailand, Vietnam, Cambodia and China.
- Indonesia is one of the largest emerging economies in the world with stable economic growth rates and good conditions for hydro power.
- Velcan is active in countries with large untapped hydroelectric potential; 84 GW in India, 180 GW in Brazil, 75 GW in Indonesia and 26 GW in Laos.

As of September 2014, Velcan:

- Has built and operates its first hydroelectric concession in Brazil (15 MW).
- Owns rights related to hydroelectric concessions projects amounting to 860 MW in India, Brazil Indonesia and Laos.
- Owns two pre-concessions in the Lao PDR for a total of 93 MW capacity.
- Develops, jointly with a subsidiary of PLN and a local partner, a hydroelectric project of 59MW capacity in Indonesia.

Velcan Energy employs approximately 50 people in its offices (New Delhi, Singapore, Vientiane, Jakarta and Saõ Paulo) and its concession sites.

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

## 2. MANAGEMENT COMMENTS / COMMERCIAL AND FINANCIAL MATTERS

Velcan Energy's turnover in the first half of 2014 (H1 2014) amounted to EUR 2.5m of which EUR 2.3m came from sales of electricity by the Rodeio Bonito Hydro Power Plant (HPP) In Brazil. It was stable when expressed in Euros relative to H1 2013

Operating costs were down by 23.4% relative to H1 2013.

Operating profit was at breakeven in H1 2014 (EUR 51k) as it was in H1 2013 (EUR -12k). EBITDA for H1 2014 remained positive at EUR 0.4m.

Net financial income for H1 2014 was EUR +1.4m vs. EUR a loss of EUR -0.4m in H1 2013.

Net result, Group share, was therefore a profit of EUR 1.2m vs. a loss of EUR -0.2m in H1 2013.

Shareholders equity amounts to EUR 121m at 30<sup>th</sup> June 2014 vs. EUR 117.4m at 31 December 2013.

The number of Treasury shares is unchanged since 31<sup>st</sup> December 2013 (1,796,034 shares). The net number of outstanding shares amounts to 5,994,908.

Book value per outstanding share is thus EUR 20.17, up 3% compared to 31<sup>st</sup> December 2013.

On 28<sup>th</sup> May 2014, the Group announced that it had completed its restructuring: Velcan Energy, the Group mother company, was subsumed by its subsidiary Velcan (formerly Velcan Energy Luxemburg) following the approval of the two companies' respective Shareholders meetings on 13<sup>th</sup> and 14<sup>th</sup> May 2014. On 2<sup>nd</sup> June 2014, shareholders of Velcan Energy were attributed one share of Velcan for each one of their Velcan Energy shares. Velcan shares started trading on Nyse Euronext on that same day. On 2<sup>nd</sup> June 2014, shares of Velcan Energy were also delisted. The ISIN code for Velcan remains unchanged (FR0010245803), as well as the ticker symbol, ALVEL.

### ***Comment by zone of activity:***

In Brazil, Cost of Goods Sold (EUR 0.3m) include to a great extent payments for the MRE (Energy Reallocation Mechanism). This scheme compels its members to compensate production shortfalls relative to an historical average. If the aggregate Brazilian hydroelectricity production undershoots a certain level, the impact on Rodeio Bonito HPP can be negative. The reform enacted in 2013, following the severe drought of 2012 provides that all agents of the electricity market and members of the MRE contribute to the incremental cost of thermo-electrical generation. Conversely, overproduction by a specific facility and/or the hydroelectric sector in aggregate will increase the turnover of the HPP. During H1 2014, Rodeio Bonito HPP and Brazil in general have contended with hydrology levels well below historical averages, triggering net payments to the MRE.

In India, the Group continued to develop the hydroelectrical concessions obtained in 2007 in the State of Arunachal Pradesh. Velcan is confident that Environmental Clearances will be granted in the short term and that the Techno-Economic Clearances (TEC) will be granted in the medium-term for Tato-1 (186 MW) and Heo (240 MW). Progress on Pauk (145 MW) continues at a slower pace, commensurate with the Project's specific technical characteristics.

In Laos, the group announced major advances, the result of four years of work, on both Nam Phouan (52 MW) and Nam Ang (41 MW) projects. The granting of the Environmental Clearance for Nam Ang HPP was followed, on 23<sup>rd</sup> May 2014 by the signing of the Project Development Agreements (PDA) with the Government of Laos and Electrical Construction and Installation, the Group's local partner for both projects. The PDA provides an exclusive framework to conclude the Power Purchasing Agreement (PPA) with Electricité du Laos (EDL). The PPA will be a crucial element in raising the necessary debt for starting construction of both projects.

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

### 3. COMMENTS ON THE FINANCIAL STATEMENTS

#### 3.1. EFFECTIVE FOREIGN EXCHANGE RATES

1 € =	30.06.2014		31.12.2013		30.06.2013	
	Closing rate	Average rate	Closing rate	Average rate	Closing rate	Average rate
BRL (Brazilian Real)	3,01	3,15	3,26	2,87	2,91	2,67
INR (Indian Rupee)	81,97	83,32	85,37	77,88	77,65	72,29
AED (Dirham UAE)	5,02	5,04	5,05	4,88	4,78	4,83
USD (US Dollar)	1,37	1,37	1,38	1,33	1,30	1,31
PEN (New Peruvian Soles)	3,83	3,89	3,85	3,65	3,71	3,49
SGD (Singapore Dollar)	1,71	1,73	1,74	1,66	1,65	1,63
IDR (Indonesian Rupiah)	16 381	16 040	16 765	13 923	12 948	12 835
NOK (Norwegian Krone)	8,37	8,28	8,36	7,81	7,90	7,52

#### 3.2. COMMENTS ON THE BALANCE SHEET

##### ASSETS

##### Intangible Assets

The Group continued to develop its concessions in India, Laos and Indonesia (EUR +1.7m of gross intangible assets in H1 2014). The positive effect of currency fluctuations (EUR +0.6m) net of provisions and provision write-backs (EUR -0.5m) therefore prompted intangible assets to accrue by EUR 1.8m (to EUR 19.1m vs. EUR 17.3m at 31<sup>st</sup> December 2013).

##### Tangible Assets:

Tangible assets grew to EUR 16.5m at 30<sup>th</sup> June 2014 versus EUR 15.6m at 31<sup>st</sup> December 2013, an increase of EUR 0.9m. This variation is the net result of, on one hand, the increase of the Brazilian Real on the book value of Rodeio Bonito expressed in Euros (EUR +1.3m) and, on the other hand, the depreciation expense of that same asset (EUR -0.4m).

##### Non-current financial assets:

These assets grew by EUR 1.8m as a result, in particular, of the diversification of the Group's financial investments.

The net breakdown of these assets is as follows:

- EUR 0.5m of derivatives
- EUR 3.5m of listed and unlisted vehicles, including provisions amounting to EUR 1.9m
- EUR 0.2m of other financial assets

### Cash and Cash Equivalents:

Cash and Cash equivalents amounted to EUR 83.4m at 30th June 2014 vs. EUR 84m at 31<sup>st</sup> December 2013. This slight decline was due to increased diversification in financial investments (see above; EUR +1.8m of non-current financial assets). The financial result and the income from Rodeio Bonito HPP offset both the Group's operating costs and its investments (into intangible assets).

As the US Dollar remains the effective currency for a number of the markets that Velcan is targeting, in particular for the planned purchase of capital goods, most of the cash position is held in US Dollars.

At 30th June 2014, the cash position is in the following currencies (excluding forward foreign exchange transactions):

- US Dollars(USD) 65%
- Euros (EUR) 16%
- Indonesian Rupiah (IDR) 8%
- Brazilian Real (BRL) 6%
- Singapore Dollar (SGD) 2%
- Indian Rupee (INR) 2%
- Other 1%

### **LIABILITIES**

#### Non-current provisions :

Non-current liabilities (EUR 0.8m) are broadly stable at constant exchange rates and stem from unresolved disputes relating to the Group's past ownership of Biomass facilities in India.

#### Financial current and non-current liabilities:

Financial current liabilities amount to EUR 1.8m at 30<sup>th</sup> June 2014 vs. EUR 2.5m at 31<sup>st</sup> December 2013 (EUR - 0.7m). These relate mainly to derivative transactions.

#### Other non-current liabilities:

Non-current provisions (0.8m) are broadly stable at constant exchange rates and stem from advances made to the group and whose reimbursement are contingent to conditions that are not met at this date.

### **3.3. COMMENTS ON THE INCOME STATEMENT**

EBITDA continued to be positive during H1 2014 (EUR 0.4m vs. EUR 0.6m in H1 2013). Net result Group Share was a loss of EUR 1.2m vs. a loss of EUR -0.2m previously.

#### **CURRENT OPERATING PROFIT :**

##### Turnover :

Velcan's turnover amounted to EUR 2.5m in H1 2014 of which EUR 2.3m came from sales of Electricity by Rodeio Bonito HPP in Brazil. These sales were stable relative to H1 2013 in Euros and +19% when expressed in constant currency terms. The balance of the turnover comes from the sale of Carbon Credits (CER) Gold Standard linked to the Bagepalli project. The operating profit from this sale of credits is nil on the period as it is offset by changes in inventories which negatively affect Costs of Goods Sold (EUR -0.7m) and Provisions for Inventory write-downs (EUR +0.5m).

##### Depreciation, Amortization and Provisions, Provision write-backs:

Depreciation and amortization of tangible and intangible assets amounted to an expense of EUR -0.4m. This expense was mainly attributable to Rodeio Bonito HPP.

## **FINANCIAL INCOME**

Net financial income for H1 2014 was positive EUR 1.4m vs a loss of EUR -0.4m in H1 2013 and remains largely dependent on the Foreign exchange variations of the currencies the Group is invested in (US Dollar and Singapore Dollars mainly). Interest rates in the Eurozone and in the US are very weak and interest income remains very low. The Group is therefore looking to diversify part of its cash position in order to improve the latter's average yield.

## **COMPREHENSIVE INCOME**

Comprehensive Income for H1 2014 amounted to EUR 3.3m vs. EUR -2.3m in H1 2013. The impact of currency fluctuations on Group equity was EUR +2.1m. This variation has two main reasons:

- For the most part, the strengthening of the Brazilian Real impacted the book value of Rodeio Bonito HPP.
- To a lesser extent, stronger emerging market currencies impacted the book value of intangible assets related to projects in development (India in particular).

### **4. SIGNIFICANT EVENTS AFTER 30<sup>TH</sup> JUNE 2014**

No significant event happened after 30th June 2014.

\* \* \*