



PRESS RELEASE

New Delhi, 5th November 2015

VELCAN RECEIVES TECHNO-ECONOMIC CLEARANCE FOR TATO-1 HYDROPOWER PROJECT IN INDIA (186 MW)

The Indian Central Electricity Authority has issued the Techno-Economic Clearance for Tato-1 Hydro Electric Power Project, a 186 MW project in Arunachal Pradesh. Tato-1 HEP Project is the second largest and furthest downstream in a cascade of three projects totaling 571 MW on the Yarjep River that Velcan has been developing since 2007.

The Detailed Project report (DPR) approved by the CEA had been submitted in May 2013. All of its technical and economic features were examined by 19 separate directorates. The approval thus validates and sets the technical characteristics, the costs estimates and the tariff of the forthcoming hydropower plant. This TEC is only the sixteenth Clearance given to a hydropower project by the CEA in India since early 2013.

Once built, the Tato-1 project will generate a gross 802 million kW-h per annum at a competitive price, based on Design Energy. Its budget is of USD 230m for a construction period of 50 months after Financial Close. The concession period is set at 40 years after commissioning.

This clearance allows Velcan Energy to begin negotiations for a Power Purchase Agreement (PPA) with prospective clients and seek financing with various interested parties and banks. With energy sales, net of the State's free share, amounting to 691.27 million kWh (based on Design Energy) at a levelized price of 4.40 rupees per kWh (indexed at November 2020 by the CEA) turnover will be USD 46m per annum at current exchange rates.

The Indian concessionary regime includes extensive provision for inflation in the construction cost. The levelized tariff of 4.40 rupee per kWh in November 2020 mentioned above is equivalent to a levelized tariff of 3.24 rupees per kWh if the project were to be commissioned today. The inflation rates used in this computation are the ones used by the CEA in the TEC Clearance of Tato-1.

Using the same methodology, the TEC tariff for the Heo project (240 MW) of 3.80 rupees for November 2020 would be equivalent to a current levelized price of electricity of 2.81 rupees if the project were to be commissioned today. Please refer to our earlier press release dated 31 July 2015 on Heo.

These figures show that both these projects are well-placed to competitively supply the Indian electric market. As a reference point, the merchant power prices in India over the last two years have been hovering around 4 rupee per kWh (source CLSA, CERC).

The Tato-1 HEP intake is connected to the tail basin of the Heo HEP power house and receives most of its inflows from the Heo HEP. Therefore, both projects form an interconnected master-slave scheme where Tato-1 HEP is slave to the Heo HEP. The scheme considered as whole, with a combined capacity of 426 MW, will sell 1.552 million kWh for an estimated annual average turnover of USD 97m and an average EBITDA of USD 81m during the first 10 years of operations. Both projects have now obtained TEC, Environment Approval and Forest Clearance stage-1, and are amongst the few private greenfield hydropower projects in India to reach such an advanced development stage.

Jean-Luc Rivoire and Antoine Decitre, co-CEOs of the Group declared: *“This approval is an important milestone for Velcan in India. It endorses eight years of studies and field investigations involving up to 100 workers on site and involving more than 30 engineers in the thorough technical and economic analysis of the project, conducted with the utmost degree of professionalism.*

The combination of Heo and Tato-1 constitutes an integrated project that enjoys excellent natural characteristics and therefore will produce at low unit costs amongst the recently approved similar projects in India. This latest TEC comes at a time of gathering pace for the development of the North-East region. We are seeing both upgrades of the physical infrastructure and an improved regulatory environment.

We would like to thank the many organizations, former and present Velcan Energy team members, engineering companies, local and national authorities, local population representatives and individuals who have been involved in this process.”

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About Velcan:

Velcan develops and operates hydro power concessions in emerging markets with untapped potential. Hydro power can be an important contributor to the economic development of these countries. The Company's strategy is to become a market leader in hydro power concessions up to 200 MW. It is currently targeting India, Brazil and Indonesia for its investments.

As of November 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, jointly with a subsidiary of PLN and a local partner, a 59 MW hydroelectric project in Indonesia.
- Has begun construction of Suka Rame, a 7 MW run-of-the-river hydroelectric plant in Sumatera, Indonesia.

Velcan has offices in Luxemburg, Singapore, New Delhi, Jakarta and Saõ Paulo and maintains personnel on its concession sites.

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

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

Disclaimer

This press release contains prospective information about the potential of the projects in progress and/or of the projects of which the development has begun. This information constitutes objectives attached to projects and shall not be construed as direct or indirect net income forecast of the concerned year. Reader's attention is also drawn on the fact that the performance of these objectives depends on future circumstances and that it could be affected and/or delayed by risks, known or unknown, uncertainties, and various factors of any nature, notably related to economic, commercial or regulatory conjuncture, which occurrence could be likely to have a negative impact on future activity and performances of the Group.

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