



PRESS RELEASE

Jakarta, 14th March 2016

VELCAN S.A. ANNOUNCES THAT IT PUTS ON HOLD THE CONSTRUCTION OF THE 7MW SUKARAME POWER PLANT IN SUMATERA, INDONESIA

In September last year Velcan Energy announced that it had started the pre-construction activities of the Sukarame 7MW hydropower plant in Sumatera, after an increased tariff for small power plants (with a capacity under 10MW) was issued by the Ministry of Energy and Mineral Resources under the Government Regulation N°19 dated 29th of June 2015.

PLN, the state owned electricity company, is the sole authorized buyer in Indonesia and was assigned as per this Regulation to purchase the electricity produced by any small power plant at a fixed, non-negotiable price per kilowatt-hour.

As per the Regulation, PLN had 30 days to issue the corresponding "Power Purchase Agreement" (PPA) standard contract. However, as of date, PLN has not proposed such contract. According to the Ministry of Energy, PLN is refusing to comply with this regulation and to buy the power, claiming that the tariff is too high. This situation results in 119 small hydropower projects being stalled.

A possible solution according to the Ministry of Energy would be the creation of a dedicated subsidiary of PLN which would purchase the electricity from the small hydropower plants. This entity would be financed by an "Energy Security Fund" also to be created, and depending on a new Government Regulation that the Ministry is currently studying. This fund would be designed to promote two activities: firstly for further exploration of oil & gas fields in Indonesia to improve/decrease the depletion rate of Indonesia's reserves, and secondly to support the development of new & renewable energy.

Given the uncertainty of the overall administrative procedure and without any visibility as to when this yet to be created administrative entity will issue the PPA, Velcan Energy has to put on hold the construction of the Sukarame project.

Velcan Energy is also discussing with the local authorities the potential impact of this delay on the validity timeframe of the permits and authorizations granted to the project.



Jean-Luc Rivoire and Antoine Decitre, co-CEOs of the Group declared:

“It is a very disappointing and difficult situation, because a lot of efforts and money have been invested into this project. We share the frustration of the local population and authorities, who like us, believed that after all these years the adequate conditions to invest in small hydropower plants in Indonesia were here. Unfortunately it is not the case”.

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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 March 2016, 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

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