VELCAN

PRESS RELEASE

Luxemburg, 27th October 2017

VELCAN'S FIRST HALF 2017 RESULTS

Consolidated Financial Data in Million Euros	30/6/2017	30/6/2016	Var %
§ Turnover Half Year	1.5	1.7	-14%
§ EBITDA Half Year	-0.1	0.1	NA
§ Net Result Half Year	-4.6	-5.8	+21%
	30/6/2017	31/12/2016	Var %
§ Cash & Financial assets	100	105	-5%
§ Market Capitalization	88	78	+13%
§ Cons. Equity	127	133	-5%
Issued shares less Treasury shares (in Thousands)			
§ Net outstanding shares	6012	6014	-0%
Book value per share (in Euros)	21.1	22.2	-5%

Key figures

- Velcan's turnover in the first half of 2017 (H1 2017) amounted to EUR 1.5m arising from sales of electricity by the Rodeio Bonito Hydro Power Plant (HPP) in Brazil. It was down by 14% when expressed in Euros (28% when expressed in BRL) relative to H1 2016 due to the structure of the new Power Purchase Agreements (PPA) which include seasonality effect with higher sales in H2 (35% higher than in H1) and a lower average sale price (15% lower). The seasonality effect will reverse itself positively in H2.

- Consumed purchases in Brazil amounted to EUR -0.2m for H1 2017 compared to EUR -0.1m during H1 2016 following a stabilization of the Energy Reallocation Mechanism (MRE) system. However this cost will increase significantly during H2 due to the extreme drought currently happening in Brazil that will affect significantly the year end operating results. Since 30th June 2017, the Rodeio Bonito Plant has already paid 1.6 m reais (EUR 420 k) to the MRE for H2 2017, and more MRE payments are expected by year end.

- Operating costs were slightly down relative to H1 2016 (EUR -1.4m for H1 2017 compared to EUR -1.6m for H2 2016).

- Operating result was slightly negative (EUR -0.5m) compared to H1 2016 (EUR -5.5m) when the result was heavily impacted by a EUR -5.2m provision on Indonesian projects. Excluding provisions and impairments, the operating result is stable.

- EBITDA for H1 2017 was slightly negative to EUR -0.1m vs. EUR 0.1 in H1 2016 because of the seasonality impact on sales of the Rodeio Bonito plant and a lower average electricity sale price.

- Net financial income for H1 2017 was EUR -4.0m vs. EUR -0.1m in H1 2016 mainly due to the appreciation of the Euro vs the US dollar while most of the Group's financial investments and cash are invested in US dollar. The FX realized and unrealized loss was EUR 6.6m while the financial gain excluding FX was EUR 2.6m. EUR 75 m equivalent of financial assets, cash and cash equivalent are still allocated in USD as of the date of the report. Should the further degradation of the EUR-USD rate since June 30th not revert itself before the end of the year, additional FX losses will impact the 31st December 2017 results.

- Net result, Group share, was therefore a loss of EUR -4.6m vs. a loss of EUR -5.7m in H1 2016.

- Group other comprehensive income amounts to EUR -2.4m, mostly due to the appreciation of the Euro compared to the Brazilian real (10%), the US Dollar and the Indian Rupee (3%) and its impact on the Group conversion reserves where the assets held in foreign currency in Brazil (Rodeio Bonito), India and other entities are translated into Euro. The Group total comprehensive income for H1 2017 amounts to EUR -7.0m.

- Shareholders equity amounts to EUR 126.6m as of 30th June 2017 vs. EUR 133.3m as of 31st December 2016.

- The number of Treasury shares is slightly up compared to 31st December 2016 (1,793,459). The net number of outstanding shares amounts to 6,011,983.

- Book value per outstanding share is EUR 21.1, down 5% compared to 31st December 2016.

First half activity brief – India

- During the period Velcan has been continuing the development of its 571 MW cascade. For the most advanced tandem of 426 MW, the current phase of development addresses the major next steps of the projects such as: land acquisition by the state Government, concession agreement revision, road infrastructure availability and a bankable PPA. The completion of such steps is beyond the control of Velcan alone. These challenges depend mainly on decisions and actions from the government (central and state), therefore making it difficult to evaluate the level of uncertainty of both the final outcome of the projects and their timeframe.

- The projects are still amongst the most advanced hydropower projects in the Indian Himalayas and they feature very competitive techno-economic characteristics.

First half activity brief – Indonesia

- Following the sale of the most important project held in the country (Meureubo 2), the Group's portfolio size has decreased to a small size which may not economically justify having full operations in the country. Given the tariff issue of the most advanced project, the Group is looking for potential partners and investors for taking over the lead development in the Sukarame and Redelong projects.

Significant events since 30th June 2017

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

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

The complete first half report is available for download at: http://www.velcan.lu/investors/reports-accounts/

* * *

Investor Relations Contact investor@velcan.lu

About Velcan:

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

The company owns and operates one 15MW hydro power plant in Brazil that it developed and built in 2009. Its major power project under development is a cascade of hydropower concessions located in India and totalling 571 MW. The Group also has two smaller projects of 18MW and 7MW in Indonesia.

Hydropower concessions provide long periods of cash generation but their development outcome is uncertain and many years are needed to bring these projects to maturity in emerging countries: it involves field studies in remote places, obtaining the necessary authorizations and permits and land acquisition in political and regulatory environments that can be unstable or heavily hampering. Meanwhile Velcan actively manages its treasury, investing in listed financial instruments and private equity deals.

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

The company was launched more than 10 years ago by its reference shareholder Luxembourg Hydro Power SA, owned by Velcan's management team.

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

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