



PRESS RELEASE

Jakarta, 21st December 2017

VELCAN: SALE OF THE SUKARAME HYDROPOWER PROJECT IN INDONESIA

VELCAN announces it has fully divested its Sukarame Hydropower Project (7 MW located in South Sumatera), sold to an Indonesian Independent Power Producer.

Since March 2016, the construction of the project was on hold due to acute tariff uncertainties and PPA unavailability. The Group had started in late 2015 the pre-construction activities, after an increase of the feed-in-tariff (USD 132 /MWh for the first 12 years, and USD 82.5 for the remaining 8 years), decided by the Ministry of Energy and Mineral Resources.

However, PLN (the state owned electricity company and sole authorized buyer in Indonesia) has refused to comply with this regulation and to buy the power, claiming that such new FIT was too high. Policy discussions have been going on and have resulted in August 2017 in a new tariff, which is now to be negotiated with PLN, and subject to a ceiling of 100% of the provincial BPP, which is PLN's local procurement cost. In the West Lampung Regency, where the project is located, such BPP ceiling is of Rp 1034 per kWh (7.6 USD cts as current exchange rate). That means the maximum tariff for the Sukarame Project that can be negotiated with PLN is USD 76 / per MWh, barely 60% of the tariff based on which the investment decision was initially taken.

The Sukarame project costs were already fully impaired as on 31st December 2016. The sale price, which is to remain confidential at this stage, allows only a partial recovery of such costs, given the low IRRs forecast resulting from the new tariff.

The small size of the Group's portfolio in Indonesia (now only the Redelong Hydropower project of 18 MW) does not economically justify having full operations in the country, and the Group is having discussions with potential partners and investors for taking over the lead development in the Redelong project.

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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 a smaller project of 18MW 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.

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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