VELCAN

ANNUAL REPORT

MANAGEMENT REPORT
AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

VELCAN SA
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I. MANAGEMENT REPORT

1. Key figures & Executive Summary

VELCAN Group ("The group") is an investment holding company owning mainly power assets and financial investments. Velcan started as an Independent hydro power producer in 2005. The Group develops finances and operates hydro power concessions currently located or planned in India, Brazil and Indonesia. These installations have an individual capacity between 15 MW and 240 MW.

The worldwide group's portfolio amounts to 657 MW of concessions and exclusive rights as of 31 December 2017 in the three aforementioned countries.

VELCAN shares are listed on Euronext Growth Paris.

Consolidated Financial Data in Million Euros

	2017	2016	Var %
§ Turnover	3.1	3.7	-15%
§ EBITDA	-1.7	-0.2	-638%
§ Net result	-9.6	-1.4	-604%
§ Cash & Financial assets	101	105	-4%
§ Market Capitalization	65	78	-17%
§ Cons. Equity	123	133	-8%
§ Net outstanding shares*	6,226	6,014	+4%
Book value per share (in Euros)	19.7	22.2	-11%

*Issued shares less Treasury shares (in Thousands)

		2017	2016
GLOBAL	**Portfolio of concessions and production facilities.** Does not include the various transactions or projects under assessment or technical studies neither post-closing changes.	657 MW	723 MW
BRAZIL	**Hydroelectric plant in operation**	15 MW	15 MW
BRAZIL	**Concessions and Exclusive rights. ***	53 MW	53 MW
INDIA	**Concessions under development.**	571 MW	571 MW
INDO	**Pre-concessions under development. ***	18 MW	84 MW

* The entire Brazilian and Indonesian portfolios under development were already fully impaired as of 31/12/2016. The decrease of the Indonesian portfolio in terms of MW comes from the sale of the Meureubo 2 HEP (59 MW) in August 2017 and the Sukarame HEP (7 MW) in December 2017.

2. About the Group

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 group owns and operates one 15MW hydro power plant in Brazil that it developed and built between 2006 and 2009. Its major power project under development is a cascade of hydropower concessions located in India and totalling 571 MW. The Group also has one 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 and unlisted financial instruments. As of 31st December 2017, 21% of the assets of the group are deployed in power projects or plants, 78% in listed and unlisted financial investments, and cash and cash equivalents (bank current accounts and deposits).

Velcan's headquarters are in Luxemburg, with administrative and financial offices in Singapore, Dubai 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).

3. Activities, main events, financial position and foreseeable evolution

3.1. Activities and main Events

Comments by key date:

During Fiscal Year 2017, VELCAN continued developing and consolidating its existing hydropower concessions located in India (571 MW), and kept looking for solutions for its Indonesian portfolio which had faced significant regulatory and administrative impediments since FY 2016. The operation of the Rodeio Bonito plant faced one of the most severe drought in years which affected significantly net sales of electricity during FY2017. VELCAN also continued to manage actively its treasury by diversifying its financial investments portfolio during the year but was impacted by the important decrease of the USD against the EURO.

In July 2017, 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 to EUR 6,605,442 divided into 6,605,442 shares of one euro (EUR 1) nominal value each, by cancelation of 1,200,000 treasury shares.

In August 2017, VELCAN fully divested its Meureubo 2 Hydropower Project (59 MW located in the Aceh Province), sold to a Hong-Kong based investor. The transaction followed 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 had a positive impact on the 2017 financial year, although the sale allowed only a partial recovery of the development costs.

In December 2017 VELCAN fully divested its Sukarame Hydropower Project (7 MW), 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. In August 2017, a new maximum tariff was finally promulgated. In

the West Lampung Regency, where the Sukarame project is located, such ceiling was set to Rp 1034 per kWh (7.6 USD cts as current exchange rate). The maximum tariff for the Sukarame Project would have been 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 only allowed a partial recovery of such costs.

Following these two divestments, the Group's portfolio in Indonesia is now only made of the Redelong Hydropower project of 18 MW, which 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.

Comments by zone of activity:

In India, the Group continued to develop the hydroelectric concessions obtained in 2007 in the State of Arunachal Pradesh. After the completion of the technical studies and investigations which allowed the projects to obtain the main required authorizations (Technical Clearance or TEC, Environmental Clearance or EC and Forest clearance or FC) and to define the techno-economic features of both Heo (240 MW) and Tato-1 (186 MW) projects, VELCAN focused on the main other development requirements which are the post TEC site investigations and studies, the land acquisition, the transport infrastructure, the amendment of the concession agreements and the stage 2 Forest Clearance. Apart from the site investigations, these requirements are however mainly under the purview and responsibility of the State and Central Governments and VELCAN scope of work in this regard is to file applications, to attend request, to provide support to Government services and to follow-up and pursue the procedures. During FY2017 the site investigations and studies required by TEC were almost completed. As regards to the land acquisition procedure, the Social Impact Assessment studies were completed by the Government appointed entity.

Administrative issues related to Land status are currently still the most sensitive and significant issues, which slow down the development of the three projects. VELCAN considers that as per the current concession agreement such process and ownership disputes settlement are the responsibility of the licensing Government. The concession contract provides for an extension of the development period in case of any delay which is not the responsibility of the developer. Negotiations for such an extension of the concession are still ongoing with the Government of Arunachal Pradesh.

The timely availability of appropriate road infrastructure is also an important issue that VELCAN has been attending throughout the year with the Central Government with some progress, although the scheduled dates of completion of the roads upgrade are still falling in 2022 and the budgets for speeding such date have not yet been sanctioned.

During FY 2017, the commercial and financial market conditions are still not fulfilled for the sale of hydropower, as the market remained constrained by both the bad financial health of electricity distribution companies (DISCOMS) and the absence of proper regulatory framework allowing the sale of power through long term bankable PPAs.

In view of the uncertainties of the Indian market and the delays encountered, the Company has decided to book a provision of EUR 2.2m (16%) on the intangible value of the Indian projects.

In Brazil, the Rodeio Bonito Hydropower plant (15 MW) recorded a production of 41,321 MWh in 2017, 24.6% below the 2016 generation (54,801 MWh) since a severe drought hit again Brazil in 2017. After several years of an extreme drought that had affected the country since 2012, precipitation levels had normalized from

June 2015 to October 2016, but they have fall down to very low levels again in 2017. As a consequence, payments by Velcan for the MRE (Energy Reallocation Mechanism) (definition and explanation page 14) were EUR 1.3m in 2017 vs only EUR 0.3m in 2016. The operating and financial performance of the plant in local currency was also impacted by lower sale prices when Power Purchase Agreements (PPAs) contracts were renewed in early 2017 with gross electricity sales reaching EUR 3.1m vs EUR 3.7m in 2016 (BRL 11.2m vs BRL 14.1m in 2016 in local currency).

In Indonesia, the Group has sold the Meureubo 2 HEP (59 MW) and the Sukarame SHP (7 MW) which were stalled by administrative issues, including the unavailability of satisfactory PPAs. These two projects were the most advanced of the Group in Indonesia but were impacted in 2016 by regulatory and administrative changes that made their chances of success and profitability lower.

The third Project of the Group in Indonesia is the Redelong HEP (18 MW).

Given the general context for hydropower projects in Indonesia and the administrative uncertainties regarding all VELCAN projects there, the project was fully impaired in 2016, and it remains the case as of 31/12/2017.

The size of the Redelong project (18 MW) may not economically justify having full operations in the country and the Group is looking the Group is looking for potential partners and investors for taking over the lead development in the Redelong projects.

At the end of the 2017 fiscal year, the Group owns a concession portfolio of 657 MW (vs 723 MW in 2016), out of which 15 MW are under operation.

Financial Assets, cash and cash equivalents

As it has done since 2005, and very actively since 2008, the group has kept managing its treasury to cover the operational costs and provide financial returns. The group has invested over the years in an extremely diversified array of financial assets including mostly : corporate and government bonds in local and reserve currencies, equities, derivatives, direct lending and private equity investments.

In 2017, the group main investments have been in corporate bonds again. The exposure has gradually increased from EUR 28.9 m at the beginning of the 2016 year to EUR 46.0 m at 2016 year end and 49.9 m at 2017 year end. The group is mainly exposed to issuers in the BBB and BB categories (as defined by Standard's and Poor). The maturities span a wide range. Although the majority is less than 6 years, some bonds have more than 30 year maturities. A few are of perpetual nature. In 2017 the group invested in majority in USD bonds, from issuers coming both from developed markets and emerging markets. At year end the biggest lines of the Group are with the following issuers : JBS (Brazil), CMA CGM (France), Comcel trust (Guatemala), Olam (Singapore), NORDDEUTSCHE LANDESBANK GIROZENTRALE (Germany), Zurich Insurance (Switzerland), Bluescope Steel (Australia), Israel Electric Corp (Israel), NIPPON LIFE INSURANCE CO (Japan) and the republic of Argentina. These bond investments have performed very well in 2017 at constant exchange rates but the Group has suffered from the US dollar weakening. The Group has invested in bonds since 2008 and has proved a good way to enhance the profits of the Group so far. The Group has only suffered one default (OI/Brazilian telco operators) in its history of bond investments. This default has costed the group EUR 0.3 m. This loss is materially less that the extra gain that the group has derived from investing in bonds compared to staying in cash. The fact that the Group has suffered little from defaults in the past is no predictor that it will not do so in the future. The level of spreads has decreased a lot recently and offers less downside protection than before.

As of December 2017, the Group also owns private investments worth EUR 6.8m including private equity (EUR 1.8m) and direct lending (EUR 5.0m). Almost half of Private equity and direct lending investment are in the shipping sector. Given the recent poor performance of this sector these investments have contributed negatively to the performance of the Group in 2016 and 2017. The Group is actively monitoring these investments to try to maximize their value.

As of December 2017, the Group had investments worth EUR 1.5 m in listed equities and EUR 4.8 m in equity funds and hedge funds. The Group believes the current equity markets provide no sufficient reward vs the risks entailed by their level. Were the situation to change, the Group may reinforce significantly its investments in listed equity.

As of December the Group financial assets were mostly exposed to the US Dollars.

Finally a significant part of the treasury of the Group was kept as of December 2017 in cash or cash equivalents (EUR 37.5m equivalent). Given the current level of interest rates these deposits provide little financial revenues despite a small increase in 2017.

3.2. Financial statements:

Income Statement:

Turnover amounted to EUR 3.1m (against EUR 3.7m in 2016, a 15% decrease), mainly from electricity sales. The turnover in local currency decreased by 20%. A slight reduction in Rodeio Bonito's ensured energy, lower sale price when the short term PPAs were renewed in 2017 and deflation in Brazil were responsible for such a decrease.

Net Financial Loss for the group amounted to EUR -4.2m in 2017 mostly because of the USD depreciation (-14% compared to end of 2016) and its impact on the Group's cash and financial assets position (see breakdown per currency note 24) despite good financial performance on VELCAN's investments excluding forex. This loss of -4.2m compares to EUR 5.9m in 2016.

Current operating results amounted to EUR -7.8m (against -6.7m 2016). Depreciation and amortization of tangible and intangible assets of Rodeio Bonito plant amounted to EUR 0.8m (EUR 0.8m in 2016), while depreciation on intangible projects under development amounted to EUR 2.3m, mainly on Indian projects (this compare to EUR 5.6m in 2016, mainly on Indonesian projects). Staff expenses increase was due to the grant of free shares (see note 8 – equity) despite it had no impact on cash and on equity (impact of EUR 2.5m on the net result).

In 2017, other operating income consisted mainly of divestment gains on Indonesian assets while the costs were fully impaired in 2016 (EUR 3.0m of gain).

Income tax expense amounted to EUR -0.6m, mostly because of the depreciation of deferred tax assets.

The net result was EUR -9.6m in 2017 FY compared to EUR -1.4m in 2016 FY.

The Group's EBITDA (earnings before interests, taxes, depreciation and amortization) reached EUR -1.7m compared to EUR -0.2m in 2016.

The depreciation of BRL and INR rates when compared to Euro, at 2017 closing date, has negatively impacted the other comprehensive income as the Group's main investments (tangible and intangible) have been done

in local currency (EUR -3.4m in 2017 against EUR 3.8m in 2016). The total comprehensive income amounts to EUR -13.0m in 2017 against EUR 2.5m in 2016.

Balance sheet:

Net intangible assets are down by EUR 2.7m versus 2016, mainly because of depreciation on Indian assets due to uncertainties and repeated delays faced on those projects (see comments on Indian assets page 11). Tangible assets decreased by EUR 2.6m between 2016 and 2017 (see note 1 & 2 of the appendix on consolidated financial statements), mainly because the Rodeio Bonito Hydro power Plant being booked in BRL currency, foreign exchange impact on retranslation of the Rodeio Bonito power plant resulted in a EUR 1.7 loss (EUR 2.7 m gain for 2016 FY).

Cash, cash equivalent assets and financial assets have decreased from EUR 105m in 2016 to EUR 101m in 2017 (-4%) mainly because of the USD depreciation.

Finally total assets decreased by 8% during 2017 FY (down by EUR 10.4 m).

Own shares, booked directly against Equity of the Group at their historical cost, reduce the net shareholder's equity of the Group by EUR -3.2m versus EUR -15.2m at 31st December 2016 following the cancellation of 1.200.000 shares and the use of 212,050 shares for share based payments (note 8).

As at 31st December 2017, unrealized losses on conversion reserves, booked directly against Equity amounted to EUR -7.8m versus an unrealized loss of EUR -4.3m at 31st December 2016, mainly because of the BRL depreciation (see above comment on comprehensive income).

With a consolidated equity of EUR 122.8m (-EUR 10.5m compared to 2016), the Group still has no significant debt as of 31st December 2017. Various provisions, payables and financial instrument liabilities amount to EUR 2.9m (stable vs 2016).

3.3. Foreseeable evolution of the Group:

After the closing of this financial year, the Group is pursuing the following main objectives as a priority for FY 2018:

- Pursuing the development of the Indian projects and finding a lead investor for the Redelong Project in Indonesia;
- Continue the diversification of its investments;

4. Detailed evolution of the business

This year has been devoted to the continuation of the development of the Indian concessions, to finding a solution to the difficulties encountered in Indonesia, to the search for new investment opportunities that would grow the Group's cash position, and to the continuation of the rationalization of the cost structure.

Summary of concessions as of 31 December 2017

Project Name	Country	State	Size (MW)	Ownership (%)	Remaining years of concession
PCH Rodeio Bonito	Brazil	Santa Catarina	15	100%	17
PCH Quebra Dedo*	Brazil	Minas Gerais	10	100%	14
PCH Pirapetinga	Brazil	Minas Gerais	23	100%	14
PCH Ibituruna	Brazil	Minas Gerais	20	100%	14
Subtotal Brazil			***68***		
PLTA Redelong	Indonesia	Aceh	18	95%	30
Subtotal Indonesia			***18***		
Yarjep / Heo	India	Arunachal Pradesh	240	100%**	40
Yarjep / Pauk	India	Arunachal Pradesh	145	100%**	40
Yarjep / Tato I	India	Arunachal Pradesh	186	100%**	40
Subtotal India			***571***		
TOTAL			**657**		

This chart contains prospective data related to the potential of ongoing projects or projects of which the development is under progress. This information represents objectives related to projects and should not be interpreted as direct or indirect profit forecasts. The realization of these objectives depends on future circumstances and could be affected and/or delayed by known or unknown risks, uncertainty and various factors of all kind, especially linked to the economic, commercial or regulatory context, and that, in case of occurrence, could have a negative impact on the activity and the future performances of the Group.

* *Quebra Dedo: the project has been cancelled in January 2018 (see page 15)*

** *Indian Projects: the negotiations for the update and amendment of the concession agreements with latest installed capacities and project implementation timeframe are going on.*

Indian hydroelectric projects development

The Group pursued the development of the hydropower concessions obtained in 2007, a cascade of three projects, the capacity of which was increased to 571 MW in 2013 after approval by the central authorities.

Tato 1 HEP (186 MW) and Heo HEP (240 MW):

The feasibility studies have been completed and all the three major authorizations have been obtained in 2015: Techno-Economic Clearance (TEC), Environmental Clearance (EC) and Forest Clearance (FC). Very few privately held projects have reached such level of development in Arunachal Pradesh – and in the Indian Himalayas. Since late 2015 the Group is focusing on the project main next steps as described below.

- Post TEC technical investigations and studies

The team has continued field studies and investigations at site, some of which are required by Central Electricity Authority and some of which are required to prepare for tender level design. The detailed tender design level topographical surveys of project components (power houses and intake areas) and internal project roads has been completed for Heo HEP and Tato-1 HEP intake site and roads as of May 2017. The Tato-1 HEP power house and adit sites detailed survey was scheduled for completion by year end but could not be completed due to the destruction of the suspension bridge allowing the access to the left bank. The 40 m depth drilling required by CEA at Tato-1 trench weir has been completed in April 2017. The additional sedimentation studies initiated in April 2016 are still going on. As for the past 8 years hydrological measurements have been continued.

- Amendment of the Concession Agreement

Following the TEC, which has frozen the installed capacity of the tandem of projects to 426 MW, the Group has engaged the process for amending the concession agreement in order to amend such installed capacity. The negotiations have now extended to the quantum of free power that will be due to the State Government once the project will be commissioned and other conditions such as the administrative fees payable to the government and the project implementation timeframe. Regarding the latter the concession agreement signed in 2013 initially provided for a construction starting in 2013, which now needs to be revised. Negotiations have been progressing over the past 24 months but as of date, the Company cannot say how and when such negotiations will be concluded.

- Land acquisition

Under the concession agreement and applicable regulations, the land is to be acquired by the State government and then leased to the project developer. Due to the absence of land registry in tribal areas and to the complexity of the applicable regulations, this remains one of the major challenges. The procedure involves notably a social impact assessment, public hearings and consultations, public consents for

acquisition of the land, field surveys, administrative ownership surveys and rehabilitation and resettlement plans.

In June 2016, the Group has submitted applications to Deputy Commissioner of the West Siang District, Arunachal Pradesh in order to initiate the acquisition of the land required for Tato 1 and Heo HEPs. A Notification has been issued by Commissioner, Land Management, GoAP in February 2017 appointing the Rajiv Gandhi University, Itanagar, Arunachal Pradesh as Social Impact Assessment unit. The Notification of the start of the SIA has been issued by the Government on 3rd August 2017, and first onsite site surveys and interviews of the local public by the SIA Team surveys have been conducted in September 2017. The SIA and Social Impact Management Plan (SIMP) draft reports have been completed and submitted to the district administration on 26th December 2017. The public hearings required by the regulations in order to discuss the SIA and the SIMP with the local public have been held in all the 8 concerned villages on 23rd and 24th of January 2018. During the hearings, the local people have expressed their support in favor of the projects, and expressed their concerns notably about the delays in project implementation and the future influx of a migrant population of workers during construction. The SIA unit has concluded the projects entail more benefits than costs and has submitted the final SIA and SIMP reports to the State Government on 2nd February.

Such SIA & SIMP reports will be reviewed by the Expert Group (an independent body appointed by the Government), which assess the costs and benefits of the project and its public purpose. The Expert Group will thereafter issue a recommendation to the State Government, whether or not the land required for the project shall be acquired. Meanwhile, the District Administration will initiate the procedure to establish the land revenue registry and to collect the consent of at least 80% of the land owners. This implies a negotiation between the Government and the affected populations for the establishment of a list of owners and the determination of the quantum of land which belongs to each owner (land revenue registry), so that the financial compensations can be distributed amongst the owners. Considering most of the land is disputed between clans or within the same clans, the Group expects this procedure to be complicated.

As per our knowledge it is the first time the State Government acquires land under this new Land Acquisition Act (2013) and the procedure is complex. The management cannot predict either the outcome or a date of completion, although it can be foreseen the entire process may not take less than 2 years.

- Road infrastructure timely availability

The public roads leading to the project sites are undergoing an upgrade and widening program, that will, once complete allow the transportation of construction and electrical & mechanical equipment. The last stretches totaling 87 Km are currently scheduled or expected to be ready between 2020 on 2022. A joint survey has been conducted in November 2016 between Velcan's Team and the Border Roads Organization (BRO/Ministry Of Defense) in order to assess what stretches are critical in view of making sure the BRO would have them ready earlier. Following several joint meetings under the umbrella of the Ministry of Power (MoP, Govt. of India), MoP has submitted a request to the Ministry of Defense for that purpose. Tentative budgets have been prepared by the Ministry of Defense in November 2017 and February 2018. Further tripartite discussions are expected to continue in the coming months. Being related to the Central Government budgetary allocations, the Company cannot, as of date, precisely plan the outcome and the timeframe of these discussions.

➢ Forest Clearance stage 2

The issuance of the Forest Clearance stage 2, which allows to physically take over the forest land (subject to land acquisition by the Sate Govt. being complete), is subject to the fulfilment of some conditions (in addition to the land acquisition). The Forest Clearance stage 1 issued by the Ministry of Environment and Forests (MOEF, Govt. of India) requires the State Government to identify additional compensatory afforestation land of 7 Ha for Heo HEP and 12 Ha for Tato-1 HEP. The State Government has proposed a piece of land in late 2016, which has been rejected in January 2017 as inappropriate for afforestation purpose by the MOEF. Another proposal by State Government is currently under preparation at district level.

In view of some technical layout adjustments required for one access road and several quarry sites, the Group submitted in June 2017 an application for the approval of such changes.

➢ Availability of bankable Power Purchase Agreement(s)

The sale of hydroelectricity will require the establishment of a regulatory framework facilitating the signing by distributors of long-term (for a period greater than or equal to the duration of the project debt) PPAs with a firm offtake. Similarly, the current bad financial health or insolvency of potential electricity buyers makes the signing of a bankable PPA uncertain, since most distribution companies (which are state-owned) are over-indebted and require recapitalization. The Central Government has taken steps to improve the financial health of distribution companies (UDAY refinancing Scheme), although the effects on hydropower PPAs market is yet to be seen. The Government is also discussing a possible new hydropower policy, which as per our knowledge will entail financial incentives applicable to a restricted list of 35 designated hydropower projects to be commissioned within 5 years of the policy (meaning projects already under construction or ready to start immediately construction). VELCAN is following up closely the evolution of these frameworks.

Pauk HEP (145MW):

The project progress continues at a slower pace, commensurate with the Project's specific technical and administrative characteristics. After several months of technical discussions, the Company obtained from the Central Water Commission (Govt. of India) the approval of the project basic design in April 2017, and the approval of the geological investigation plan from the Geological Survey of India in August 2017. Based on such approvals the next step is mainly to conduct the approved investigation plan. However the performance of site investigations remains subject to the clearance of landownership disputes. Such disputes have often slowed down or prevented activities at the site in the past years, but the Group hopes to restart reinvestigation by the end of the 2018 monsoon.

Overall perspectives in India:

VELCAN keeps making progress in areas that depend on the developer and continues to see promising prospects in the Indian electricity market.

Activities that are under the purview of local and national Government entities, which include instrumental land acquisition and road infrastructures, are progressing at variable paces but generally slowly and they regularly encounter impediments and delays. These activities are always subject to political and legal risks such as changes in legislation and / or government.

VELCAN follows closely such activities which are not its responsibility and provides support to Government entities whenever possible. But like all infrastructure markets in emerging countries, it is not possible to

predict if all the conditions necessary to project implantation will align or when. The concessions will continue to depend on the political willingness of the Central Government to revive the hydropower sector.

In view of the context detailed above, the Company has decided to book a provision of EUR 2.2m (16%) on the intangible value of the Indian projects.

Brazilian hydroelectric plant and projects

At the end of 2017, the Group owns projects totalling 68 MW in Brazil, like in 2016. It is composed of 15 MW under operation (Rodeio Bonito) and 53 MW of exclusive concessions. At the date of this report, after the cancellation of the Quebra Dedo project (10 MW), the Group owns 43 MW of exclusive concessions.

- Rodeio Bonito Plant (15 MW):

The operating performance of the plant in local currency was satisfactory given the draught situation in Brazil. The production (41,321MW) was much lower than in 2016 (54,801 MWh, -24.6%) and far from its best year (75,655 MWh, i.e a plant load factor or PLF of 57%, the plant's record high), due to very low precipitation levels in Brazil in 2017. This follows a national trend, as in 2017 all Brazilian hydropower generators together produced only 79% of the energy they had the right to commercialize.

The MRE, or Ensured Energy mechanism[1], which reallocates energy from those overproducing to those under producing, does not cover for such a deficit in the whole system. In this case, in order to equalize total production with total insured energy, a generation scaling factor, GSF, is applied to the insured energy of each participant, reducing it for the affected month. This exposed Rodeio Bonito to the high prices of the spot market, as it had to buy energy to meet its contract duties not covered by the temporarily reduced insured energy. In 2017, payments by Velcan for the MRE were significantly higher than in 2016. However, Rodeio Bonito is still protected by the interim judgement of early 2017 that caps the MRE extra charges to 5% of its insured energy, which has limited the MRE payments to BRL 4.6 m (compared to BRL 1.0 m in 2016 BRL and BRL 4.1 m in 2015), in spite of the climatic hardship of this year. Overall, total consumed purchases, which include MRE payments, impacted the annual operational result by EUR 1.3 m against EUR 0.3 m in 2016 (EUR 1.1 m in 2015). Following the enactment of law 13.360 of 17 November 2016, which in its article 24 effectively states participants cannot be removed from the MRE (and thus eliminated the risk of Rodeio Bonito being excluded from the mechanism due to insufficient historical production), the national regulator proposed much discussed alterations on the law to create new means of removing participants, as this is broadly understood to be necessary to guarantee the health of the mechanism. To date, it remains unclear how this could affect the Rodeio Bonito plant, as any outcome would depend on the exact provisions.

The EBITDA (earnings before interests, taxes and amortization) of the plant amounted to BRL 4.5m against BRL 11.0m in 2016 and BRL 6.8m in 2015. When converted in EUR, the EBITDA was down to EUR 1.3m vs

[1] In Brazil, « guaranteed energy » or « ensured energy » means the annually marketable energy as approved by MME – Ministério de Minas e Energia (Department of Mines and Energy) and guaranteed through the Brazilian power system for power plants opting for the MRE (Energy reallocation Mechanism), mechanism functioning at national scale, even if the production is impacted by a bad hydrology some years. This is the case of Rodeio Bonito. This mechanism covers the hydrological risk in case some Brazilian areas are experiencing drought, whereas other areas are experiencing heavy rains. However this mechanism does not cover the risk of a lasting national drought across Brazil. In that case, the Rodeio Bonito plant revenues could collapse drastically. The turnover corresponding to this part of guaranteed energy is ensured through mid-term fixed inflation-linked contracts, even in case of low actual production below that level for hydrological reasons. However, in the case of extremely low historical production, it could lead to a downward revision of the ensured energy or it could even lead to a temporary exclusion of the system.

2.9m in 2016, mostly due to the higher MRE payments (BRL +3.6m) and the lower turnover (BRL -2.9m, -20%).

➢ Pirapetinga (23 MW), Ibituruna (20 MW), and Quebra Dedo (10 MW):

During the year, the Group has not noted so far any significant progress on the administrative procedures required to achieve the development of the 3 on-going Brazilian projects of its portfolio. Each of them is facing different administrative and social barriers and/or fierce competition. Thus, the development of these uneconomical projects has been adjourned. Development costs on those projects had already been impaired in previous years in the Group's balance sheet.

In January 2018, the Brazilian Regulatory Authority (Aneel) has cancelled the Quebra Dedo hydropower project (10 MW), which has been stalled for several years because of administrative and environmental issues. The project had less than 15 years of concession left and its development costs were entirely provisioned in the Group's balance sheet since 2011. The Project will not be counted in the portfolio anymore in future reports and the costs will be write off (with no impact on the result) in 2018.

The Group is not developing any other project in Brazil as of 31st December 2017.

Indonesian hydroelectric projects

➢ Sale of the Meureubo 2 HEP (59 MW)

In August 2017, the Group has fully divested its most important Indonesian project, the Meureubo 2 HEP. The Project has been 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 had a positive impact on the 2017 financial year, although the sale allowed only a partial recovery of the development costs.

➢ Sale of the Sukarame SHP (7 MW)

In December 2017, the Group sold the Sukarame project. 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 Feed-In-Tariff (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 allowed only a partial recovery of such costs.

➢ <u>Redelong HEP (18 MW)</u>

It is an advanced project for which the geological investigations have been carried out and finalized in 2015 and the feasibility studies have been finalized in 2016 showing the techno-economic viability of the project. In March 2017 the Group has obtained the PSDA permit, which is the permit for exploitation of water resources for the purpose of hydropower generation, delivered by the Ministry of Public Works. It notably freezes the environmental flow and approves the project structures' design.

Negotiations for the participation of the regional BUMD (regional enterprise owned by the local government) into the Project have been initiated and are still going on as of date. It has already been agreed the BUMD would have a 7.5% participation in this project.

However, given the general context for hydropower projects in Indonesia and the administrative uncertainties regarding all VELCAN projects there, the project has been fully impaired in 2016.

➢ <u>Overall perspectives in Indonesia</u>

Following the full divestments of the Meureubo 2 and Sukarame Projects, the Group's portfolio in Indonesia is now reduced to the Redelong Hydropower project of 18 MW, which 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.

The Group is not developing any other project in Indonesia as of 31st December 2017.

5. Risk factors and uncertainties

Specific risks of hydroelectric plants and projects.

All risks from the Group's activities are described in the disclosure document available on the company's website since its transfer to NYSE - Alternext. Investors are invited to refer to this document for a complete discussion. As a reminder, the most characteristic risks of the Group are reviewed below.

Hydroelectric project development risks:

During the development phase, projects are exposed to a significant risk of delay or failure in obtaining environmental and administrative permits or in the progress or outcome of field investigations and studies. Obtaining administrative authorizations depends on many factors, among which changes in the authorities' requirements during the development phase, which is unpredictable and may require a modification of techno-economic characteristics of the project. Consequently, a change in the project may cause the invalidation other approvals previously obtained. In some countries, lack of coordination between different authorities, most of the times independent of each other and possibly the conflicting objectives that they pursue can make the administrative approval process difficult and unstable. With regard to investigations and studies, risks arise from consultants or suppliers directly in charge of studies or field investigation, who may face operational issues such as difficulties accessing sites or harsh conditions on sites. Generally, the complexity and the number of technical parameters linked to the field (such as topography, geology, hydrology, etc…) involve a significant risk of error in studies and require a substantial verification. In the same manner, land occupation factors (capacity to acquire the land impacted by the project), social and environmental factors (difficulties with population possibly impacted by these projects or idiosyncratic fauna and flora) can lead, during the development period, to the modification or the shelving of a project. Finally, the detailed studies and/or the administrative issues raised during the development phase may lead to the conclusion that a concession granted or in course of study is not viable. Political and legal risks mentioned under the risks associated to emerging countries often delays of hamper the projects during the development, sometimes to the extent a Project can practically become unfeasible. In some cases the delays suffered in the development phase can lead to the cancellation of the concession.

During the construction phase, technical factors such as an unanticipated composition of soil preventing digging the diversion canal as originally planned, especially with regards to geology can delay or impede the commissioning of a project. Furthermore, in some cases, such delays may entail financial penalties by the licensing authority to be borne by the developer, and, in extreme cases, in the cancellation of the concession.

During all these steps, the risk of slowing down or blocking of the project concerned still exists. Slowing or stopping a project generates additional costs which can be significant or lead to an outright impairment of investments.

In order to ensure the highest possible reliability of critical technical studies (hydrology, geology, topography, etc...) and to minimize the risk of errors, the Group internalizes core competencies from internationally- and nationally-renowned experts who control workings delivered by external service providers. It tries its best to employ the most qualified external service providers available. When market conditions make it possible, the group negotiates contractual clauses under which providers are financially penalized in case of delays to perform their services. The Group also seeks to maintain good relationships with the licensing authorities in order to resolve any difficulties that may occur.

During commissioning, the main risk lies in a real average flow of water being less important than anticipated, for example, because of erratic rainfall or rain forecasts are significantly different from hydrological studies conducted during development phase of the project, reducing the generation of electricity whereas the investment has already been made. Another important risk is the insolvency of the off-taker in emerging markets, where sometimes public utilities are in bad financial shape due notably to network losses, electricity theft or payment default of their own end customers.

Risks associated to emerging countries

The international expansion strategy of the Group focuses on plant operation in Brazil and concession development projects in India. As explained above the Group is still exposed to Indonesia, though to a lower extent because the only asset held there is the Redelong Hydropower project, as of this report issue date. Therefore, it is exposed to social, economic and political problems linked to emerging markets.

Thus, the markets currently targeted by the Group or in which it could develop in the future may be characterized by the following risks:

- difficulties or delays in obtaining required permits and authorizations;
- faulty infrastructure that could affect the construction of the hydropower plant or the transmission and distribution of electricity;
- difficulties in recruitment and management of employees needed in these countries;
- difficulties in hiring consultants and suppliers required;
- political, social or economic instability, terrorism or war;
- difficulties in ensuring the respect of the Group rights;
- governmental interventions;
- cultural differences may restrict the Group's ability to face local competitors and international companies that are more experienced in emerging markets;
- risk of exchange rate due to the assets and liabilities booked in local currency;
- legal constraints and / or tax constraints for repatriating profits generated in other countries;
- delays in getting paid and difficulties to be paid back;
- risk that the accounting, audit and financial information standards do not always comply with IFRS norms and that they are not equivalent to those applicable in most developed markets;
- risk that the financial markets close to these countries. In which case financing our concessions would become very difficult until these markets reopen.
- risk of having difficulties in repatriating money from these markets. In case of financial turmoil, capital controls may be instated that would block or limit the repatriation of cash. It is to be noted that these constraints, which had not implemented for many years are now in place in several countries, both in developed and emerging markets (Iceland, Cyprus, Greece, Ukraine, Ghana, and Nigeria). The stigma associated with the imposition of such controls is hence now much lower.

Emerging markets are more fluid and generally subject to greater volatility than more developed markets. The growth of markets such as India, Brazil, and Indonesia can slow down. Although India’s growth rate is currently one of the highest in the world, Brazil is in a deep protracted recession and Indonesia is growing slower than before. The Group's success in these countries depends partly on its ability to adapt to their quick economic, cultural, social, legal and political changes. If the Group is unable to manage the risks associated with its expansion in emerging markets, its business, its financial health and its revenues could be significantly affected.

Environmental risks

Finally hydropower's Environmental risk (e.g. flood caused by a dam breaking or the impact of the reservoir on the fauna and flora) is generally not covered by insurance companies, whether it is related to an engineering error, to a defect or to an operational error.

Country risks – currency conversion risk

As of 31 December 2017, the Group's balance sheet is mainly exposed to the following currency (please refer to note 24 of the appendix on consolidated financial statements for more details):

- Euros (EUR)
- US Dollars (USD)
- Brazilian Reals (BRL)
- Indian Rupee (INR)

The Group's balance sheet is also significantly exposed to Indian Rupee and Brazilian Real because of the significant investments made there for HEO, PAUK, TATO-1 and RODEIO BONITO concessions (Tangible and intangible assets) and because of the electricity sales in Brazilian Real of RODEIO BONITO (Yearly turnover).

As of 31 December 2017 no hedging has been taken on the Property risk nor on risk of conversion of past or future income.

Interest Rate Risk

VELCAN's available cash is mainly invested in money market funds, deposit certificates, private and sovereign bonds and forward forex in Euro, Dollar and in other currencies of emerging countries where the group is present. The financial result is thus sensitive to interest rate variation.

Use of financial instruments for hedging

No particular financial instruments are used for price, credit or liquidity risk hedging.

6. Sustainable development and Corporate Social Responsibilities

The Group focuses on generation of electricity from hydroelectricity, which is a **conventional** and **renewable** source of energy and which prevents the release of greenhouse gases into the atmosphere as opposed to electricity generation from fossil fuels. As a result of this "avoidance effect", the facilities developed by the Group are, or may be given, the approval for generation of carbon credits by the United Nations. As of today, the Group concentrates mainly on small and medium scale "run-of-river", hydroelectric plants of the same type as the Rodeio Bonito project, thus aiming at the optimal amount of energy production with the smallest possible environmental footprint. So far Rodeio Bonito Power Plant has produced approximately 391 GW/h of clean and green energy.

The Group also participated in the financing of the Bagepalli project located in the state of Karnataka, which entailed the construction of 5,481 methane biogas generation units for domestic use. These units enable the production of methane for domestic use (cooking) and are currently in operation. The project enables families to substitute kerosene in cooking, minimize grievous domestic accidents from burns and reduce deforestation. Uncontrolled deforestation results in the desertification of developing countries and kerosene use can lead to serious respiratory illnesses. This project is implemented by an Indian NGO, ADATS. Since July 2009, this installation is listed under the "Gold Standard" label, which is a label identifying CDM

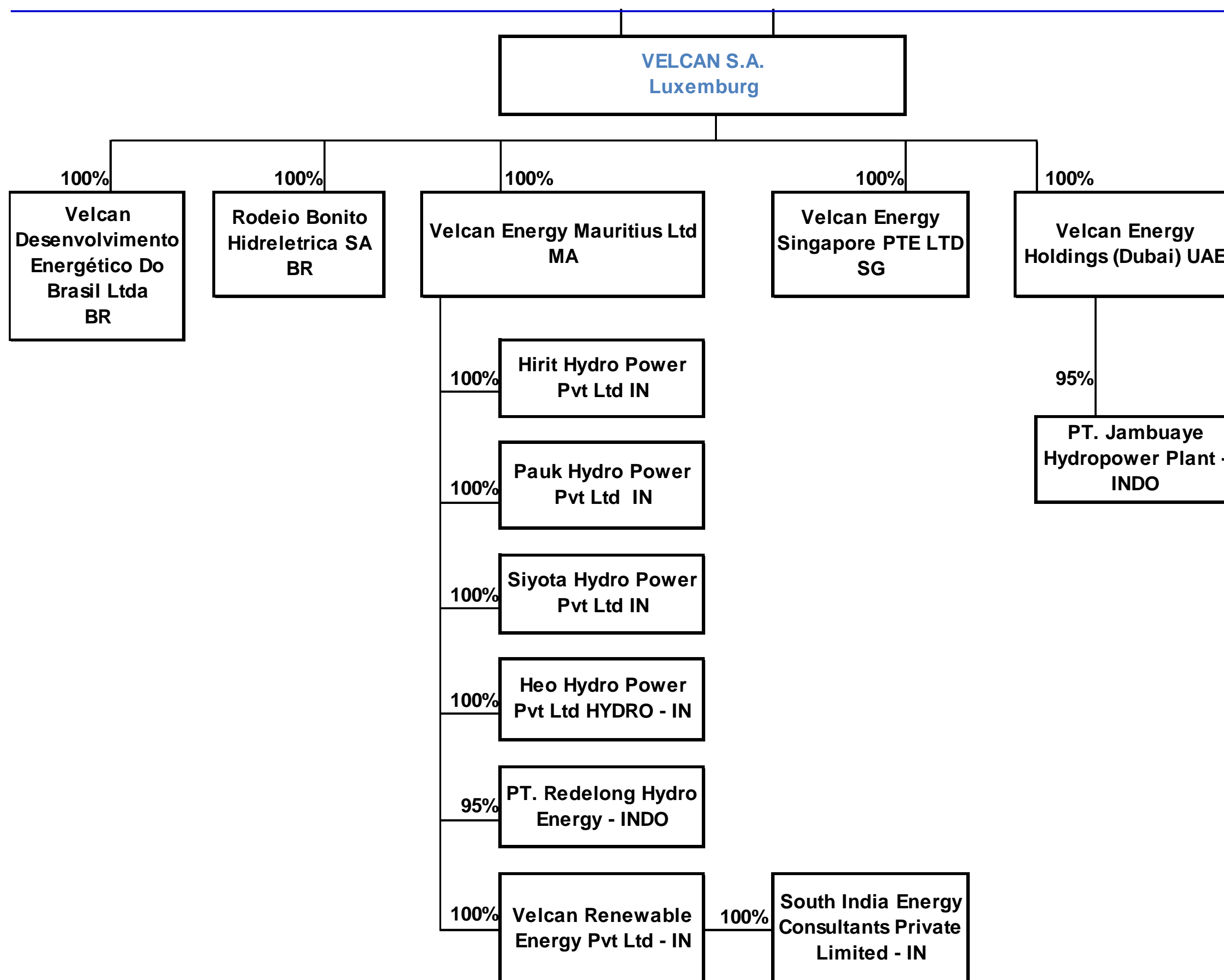
projects known for their excellence from a sustainable growth point of view (it generates « premium quality CERs », for more information, see http://www.cdmgoldstandard.org.The construction of all these units was completed in 2008. These units are now operating and generate 17.000 CERs annually. In 2017, the Group has retroceded the full ownership of those gold standard CERs to the local NGO.

The Group regularly undertakes actions in corporate social responsibility activities in India for the benefit of local populations in the area where its three hydroelectric projects of the Yarjep River are located. For instance, in 2017, the Group made financial contributions to various social and cultural events which matter to local people such as festivals and sport tournaments. Likewise, the Group has been financing for the sustainability of small local infrastructure such as suspension bridges and access ways to the village. Donations with medical purpose have also been granted. It also has also undertaken actions in corporate social responsibility in Indonesia, Sumatra in favor of the local population.

7. Research and development

Apart from the development of the hydroelectric power projects, the Group has not undertaken significant research and development activity.

8. Organization Chart



As of 31 December 2017, Velcan SA, the parent company of the group, which is based in Luxembourg, controls 13 companies, direct or indirect subsidiaries, located in seven countries: India, Brazil, the United Arab Emirates, Luxembourg, Mauritius, Singapore and Indonesia, different by their function and the geographical area where they operate.

II. CONSOLIDATED FINANCIAL STATEMENTS

BDO

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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

To the Shareholders
VELCAN
11, avenue Guillaume
L-1651 Luxembourg

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of VELCAN and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under those Law and standards are further described in the « Responsibilities of the "*Réviseur d'Entreprises Agréé*" for the Audit of the consolidated Financial Statements » section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the consolidated management report but does not include the consolidated financial statements and our report of the "*Réviseur d'Entreprises Agréé*" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "*Réviseur d'Entreprises Agréé*" for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "*Réviseur d'Entreprises Agréé*" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law dated 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Law dated 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

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- Conclude on the appropriateness of Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "*Réviseur d'Entreprises Agréé*" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "*Réviseur d'Entreprises Agréé*". However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

Luxembourg, 26 April 2018

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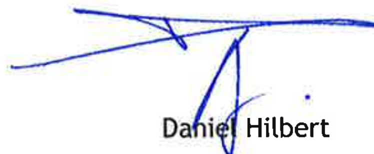
Cabinet de révision agréé
represented by



Daniel Hilbert

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2. Consolidated statement of financial position (assets)

(in thousands of Euros)

Assets	Note	31.12.2017	31.12.2016
Non current assets			
Intangible assets	1	13,862	16,551
Tangible assets	2	10,315	12,893
Non current financial assets	3	5,236	2,506
Deferred tax assets	4	-	339
Total non-current assets		**29,413**	**32,289**
Current assets			
Current financial assets	3	57,869	48,190
Inventories		15	17
Trade and other receivables	5	285	365
Income tax receivables		46	112
Other current assets	6	532	675
Cash and cash equivalents	7	37,536	54,449
Total current assets		**96,282**	**103,808**
Total assets		**125,694**	**136,098**

3. Consolidated statement of financial position (Liabilities)

(in thousands of Euros)

Liabilities	Note	31.12.2017	31.12.2016
Equity			
Issued capital	8	6,605	7,805
Additional paid in capital	8	128,020	139,780
Other reserves and conversion reserves	8	(2,235)	(13,020)
Net income for the year		(9,621)	(1,265)
Equity attributable to the equity holders of the parent		**122,770**	**133,301**
Non-controlling interests		21	(35)
Total Equity		**122,790**	**133,266**
Non current liabilities			
Non current provisions	10	835	894
Other non current liabilities	11	1,041	989
Total non-current liabilities		**1,876**	**1,883**
Current liabilities			
Current financial liabilities	9	-	116
Current provisions	10	6	6
Trade and other payables	12	684	778
Income tax payables		62	39
Other current liabilities	13	276	9
Total Current Liabilities		**1,028**	**948**
Total Liabilities		**125,694**	**136,098**

4. Consolidated statement of profit and loss and of comprehensive income

(in thousands of Euros)

Statement of Profit & Loss	Note	31.12.2017	31.12.2016
Operating revenues	14	3,111	3,650
Other operating revenues	14	1	61
Total operating revenues		**3,112**	**3,711**
Purchases	15	(1,273)	(266)
External expenses	16	(1,954)	(2,138)
Payroll expenses	17	(4,523)	(1,535)
Operating tax expenses		(18)	(15)
Depreciation, Amortization & Provisions	18	(3,135)	(6,425)
Current operating result	14	**(7,791)**	**(6,668)**
Other operating income	19	2,960	13
Operating result		**(4,831)**	**(6,655)**
Financial Income	20	7,902	6,590
Financial expenses	20	(12,061)	(727)
Financial Result		**(4,159)**	**5,863**
Income tax expense (-) / benefit (+)	4	(576)	(566)
Net result from continuing operations		**(9,566)**	**(1,358)**
Net result, group share		**(9,621)**	**(1,265)**
Net result, shares of non-controlling interests		**55**	**(93)**
Earnings per share (in Euros)	21	(1.59)	(0.21)
Diluted earnings per share (in Euros)	21	(1.59)	(0.21)

Statement of total comprehensive Income	Note	31.12.2017	31.12.2016
Net income		(9,566)	(1,358)
Other comprehensive income, that will not be reclassified subsequently to profit or loss	8	(3,436)	3,842
Total Comprehensive Income		**(13,002)**	**2,484**
thereof attributable to non-controlling interests		(52)	93
Group Total Comprehensive income		**(13,054)**	**2,577**

5. Consolidated cash flow statements

(in thousands of Euros)

Cash Flows	Note	31.12.2017	31.12.2016
Net consolidated profit		**(9,566)**	**(1,358)**
Adjustments for:			
Amortization and depreciation	18	3,135	6,425
Impairment, provision and write back		-	(9)
Income/loss from disposals of fixed assets		92	2
Expenses for share based payments	8	2,526	209
Interest and dividends Income	20	(3,493)	(2,372)
Change in deferred tax	4	339	219
Current Income tax expense (benefit)	4	237	347
Net change in fair value of financial instruments	20	4,684	(1,466)
Interests received		3,093	1,982
Dividends received		29	36
Current Income tax paid		(150)	(415)
Other non current operating income (expenses)	19	(2,960)	
Other financial income and expense	20	2,968	(2,025)
Variation of operating working capital		1,106	(148)
Cash flows from operating activities		**2,039**	**1,427**
Purchase / sale of affiliates	19	2,144	0
Acquisition of tangible and intangible assets	1-2	(826)	(2,039)
Disposal of tangible and intangible assets	1-2	2	9
Acquisition/Disposal of financial instruments	3	(12,083)	(6,741)
Change in loans and advances granted		(5,072)	(728)
Other financial income and expense	20	(2,968)	2,025
Cash flows from investment operations		**(18,802)**	**(7,473)**
Capital increase		-	80
Cash flows from financing operations		**-**	**80**
Net foreign currency translation differences		**(151)**	**359**
Net cash flow variation		**(16,914)**	**(5,607)**
Net opening cash		54,449	60,056
Net closing cash		37,536	54,449

6. Statement of changes in equity

In thousands of euros	Capital	Additional paid in capital	Own Shares	Foreign currency translation reserves	Reserves & consolid. net income	Total Group interest	Minority interests	Total Equity
Situation at 01.01.2016	**7,797**	**139,708**	**(15,473)**	**(8,183)**	**6,585**	**130,435**	**58**	**130,493**
Net income	-	-	-	-	(1,265)	**(1 265)**	(93)	(1,358)
Other comprehensive income	-	-	-	3,842	-	**3 842**	0	3,842
Total comprehensive income	-	-	-	3,842	(1,265)	**2 577**	(93)	2,484
Stock-Options exercised	8	72	-	-	-	**80**	-	80
Share based payments	-	-	-	-	209	**209**	-	209
Settlement in own share of share based payments	-	-	253	-	(253)	**(0)**	-	(0)
Situation at 31.12.2016	**7,805**	**139,780**	**(15,221)**	**(4,341)**	**5,276**	**133,301**	**(35)**	**133,266**
Situation at 01.01.2017	**7,805**	**139,780**	**(15,221)**	**(4,341)**	**5,276**	**133,301**	**(35)**	**133,266**
Net income	-	-	-	-	(9,621)	**(9,621)**	55	(9,566)
Other comprehensive income	-	-	-	(3,433)	-	**(3,433)**	(3)	(3,436)
Total comprehensive income	-	-	-	(3,433)	(9,621)	**(13,054)**	52	(13,002)
Capital decrease	(1,200)	(8,998)	10,198	-	-	**-**	-	-
Share based payments	-	-	-	-	2,526	**2,526**	-	2,526
Settlement in own share of share based payments	-	-	1,799	-	(1,799)	**-**	-	-
Other	-	-	-	-	(3)	**(3)**	4	0
Situation at 31.12.2017	**6,605**	**130,783**	**(3,224)**	**(7,774)**	**(3,621)**	**122,770**	**21**	**122,790**

7. Appendix on the consolidated financial statements

7.1. Accounting policies and valuation methods

7.1.1. General

In 2014, the ultimate parent company (and reporting entity) of the Group has changed. Until 2014, the Group's parent was Velcan Energy S.A., a French company incorporated in 2005 and previously domiciled at 75, boulevard Haussmann in Paris. In 2014, Velcan Energy S.A. has merged into Velcan Energy Luxembourg S.A., one of its wholly owned subsidiary. At the same time, the name of the new parent Company, Velcan Energy Luxembourg S.A., was changed to VELCAN, being now the parent of the Group.

Velcan S.A. (hereafter, the “Company “and together with its fully consolidated subsidiaries, the ‘Group’ or “VELCAN”) is a public company limited by shares (société anonyme). Its registered office is located in Luxembourg. The Company is registered in the Luxembourg trade and company register under section B, number 145.006.

VELCAN develops and operates hydro power concessions in emerging markets. The Group aims to become a market leader in hydro power concessions up to 200 MW. The Group is currently operating a hydro power production facility in Brazil, and is in the development phase of projects in India and Indonesia.

The consolidated financial statements at 31 December 2017 present the position of Velcan SA and its subsidiaries (referred to hereinafter as VELCAN). The consolidated financial result was approved by the Company’s Board of Directors on 26th April 2017 and the consolidated financial statements were authorized for issuance on 26th April 2017. The accounts will be submitted for approval by shareholders at the Annual General Meeting (General Assembly).

7.1.2. Compliance with accounting standards

The consolidated financial statements of VELCAN have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (hereafter “IFRS”) as well as in accordance with articles 341bis of the Luxembourg law of 1915. The International accounting standards include the IFRS, the IAS (International Accounting Standards), and their SIC (Standing Interpretations Committee) and IFRIC (International Financial Reporting Interpretations Committee) interpretations.

Accounting standards adopted for the first time in the year under review

In 2017, no new accounting standard has been applied for the first time. Apart from the improvements, the following amendments to existing IFRS have been applied for the first time for the consolidated financial statements as of 31 December 2017:

Standard/Interpretation	
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IAS 7	Disclosure Initiative

The adoption of these standards did not have a material effect on the consolidated financial statements of VELCAN.

Newly-issued accounting standards which are not yet mandatory

The IASB has issued the following standards, interpretations and amendments which are not yet compulsory or which must be endorsed by the EU before they can be adopted; the table below omits changes brought to the standards through the annual improvements cycle:

Standard / Interpretation	Title	Effective date (EU)	Date of adoption under EU law
IFRS 17	Insurance contracts	-	Pending
IFRS 9	Financial instruments	2018	Nov 2016
IFRS 15	Revenue from Contracts with Customers	2018	Oct 2016
Amendments to IFRS 15	Clarifications to IFRS 15	2018	pending
IFRS 16	Leases	2019	Nov 2017
Amendments IAS 28	Long term interest in associates/joint ventures	-	pending
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	2018	Feb 2018
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	-	Pending
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration	2018	April 2018
Amendments to IAS 40	Transfers of Investment Property	2018	March 2018
Amendments to IFRS 9	Prepayment Features with Negative Compensation	2019	March 2018
IFRIC 23	Uncertainty over income Tax Treatments	-	Pending

The analysis with respect to the impact of the adoption of the new standards (in particular IFRS 16) on the presentation of financial position and result of operations is still ongoing.

Adoption of IFRS 9 shall have no effect since the financial assets will still be valued at Fair value through profit & Loss.

Adoption of IFRS 15 shall have no effect since the turnover is only composed of the sale of electricity generated during a given year at a contractual price.

7.1.3. Presentation of consolidated financial statements

The consolidated financial statements are presented in thousands of Euros, rounded to the closest thousand.

A) “Current” and “non-current” assets and liabilities

Current assets include customer receivables, inventories and all other assets that meet one of the following three conditions:

- the company expects to be able to dispose, sell or consume the asset as part of the normal operating cycle of the company (the normal operating cycle of a company refers to the period of time that elapses between buying raw materials used in an operating process and convert them in the form of cash or an instrument immediately convertible into cash);
- the asset is essentially held for the purpose of trading or for a shorter period and the company expects to dispose of it within 12 months after the year-end;

- the asset is cash for which there are no restrictions on use.

Current liabilities must include trade debts and all other liabilities that meet one of the following two conditions:

- the liability is going to be settled as part of the normal operating cycle of the company;
- the liability must be settled within 12 months after the year-end.

Other assets and liabilities not meeting this definition are reported as “non-current”.

B) “Current operating result” and “Other operating income and expenses”

The profit and loss statement is presented per nature, according to the choice offered by IAS 1.99.
This presentation shows a “current operating result” which corresponds to net result before:

- income on disposal of equity shares;
- other operating income and expenses which mainly include:
  - ✓ restructuring costs;
  - ✓ losses and profits and variations of provisions covering exceptional events, in other words extraordinary in their amount or occurring rarely;
  - ✓ gains or losses on disposals or depreciation of assets;
- financial income
- financial expenses,
- current and deferred tax expense / income
- net profit of investments accounted for using the equity method,
- net profit from discontinued operations.

C) EBITDA

EBITDA (Earnings Before Interests, Taxes, Depreciation and Amortization) is calculated as the line “Current operating result” of the statement of profit and loss less the line “Depreciation, Amortization & Provisions.”

7.1.4. Consolidation accounting principles

A) Integration policies

The consolidated financial statements include the financial statements of the parent company and the companies controlled by it. In accordance with IFRS 10, the Group controls a component if it has:

- Power over the Component
- Exposure, or rights to variable returns from its involvement with the component
- The ability to use its power over the component to affect the amount of the return.

Power is defined as existing rights that give it the current ability to direct the relevant activities. The Group applies the full integration method for all of its subsidiaries.

B) Elimination of reciprocal accounts and transactions

Intra-group balances and transactions as well as profits and losses resulting from intra-group transactions are eliminated for the purposes of the preparation of the consolidated financial statements.

C) **Date and effect of acquisitions and disposals**

The results of companies that are newly consolidated during the financial year are only attributed to the Group for the fraction earned after the date of transfer of control. Similarly, the results relating to companies sold during the financial year are only consolidated for the fraction realized prior to the date of transfer of control in accordance with IFRS 3 and IAS 27.

D) **Translation of financial statements and accounts in foreign currencies**

Each entity of the Group determines its own functional currency and the elements included in the financial statements of each entity are measured using this functional currency.

The main functional currencies used within the Group are the Indian Rupee INR (for subsidiaries in India), the Real BRL (for subsidiaries in Brazil) and the Dirham AED (for the Dubai holding). The exchange rates used by the Group are indicated in paragraph 7.3.

Operations in foreign currencies are initially recorded in the operating currency at the current rate of exchange as of the date of the transaction.

At year-end, the assets and liabilities of these subsidiaries are converted into the presentation currency of the Group at the current rate of exchange on this date and their income statements are converted at the average weighted rate of exchange for the year.

Exchange differences resulting from this conversion are directly presented under a separate heading of equity. When going out from an overseas business, the total amount of deferred foreign currency translation differences shown in the separate component of equity relating to this overseas business is posted to the income from the disposal thereof.

Group internal transactions:

Short-term positions impact the result on the same manner than external-to-the-Group currency positions. Unrealized foreign exchange variations on long-term positions, of which the settlement is neither planned nor likely in a foreseeable future, are booked in foreign currency translation reserve in the Group's equity and comprehensive income and do not impact the net result, according to the provisions of IAS 21 norm's following paragraphs « net investment in a foreign operation ».

When the investment (net) is taken out of the perimeter, this foreign currency translation reserve is reclassified in the Group's net profit.

E) **Use of estimates**

The main assumptions concerning future events and other sources of uncertainty linked to the use of estimates would relate to intangible assets (see 7.1.5 B and 7.4.1)

Intangible assets not available for use are mainly consisting in developments costs linked to the hydroelectric projects of VELCAN (EUR 13.9m as of December 2017 against EUR 16.5m as of December 2016).

At least once a year, the recoverable amounts of this type of intangible assets is measured. The recoverable amount is defined as the higher of an asset's fair value less costs of disposal and its value in use. The fair value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.
The assumptions and estimates used in relation to the preparation of cash flow projections are highly judgemental.

The following key parameters are used by VELCAN:

- Financing structure of the project (equity / debt) and associated costs,
- Plant load factor determined through techno-economic studies and environmental studies,
- Length of the concession,
- Future electricity selling price based on local legislation,
- Tax rates,
- Costs estimated until the start of the construction, depending mainly on the length of administrative procedures and on the degree of requirement of local legislation in each country,
- Discount rate applied to cash flow: the discount rates used are comprised in the range of 8% to 11% depending on each country premium risk and borrowing rates. The discount rates used are the Weighted Average Cost of Capital (WACC).

According to the length of the administrative process and to the degree of uncertainty linked to above assumptions, cash flow projections might change significantly from year to year.

In particular, Indian projects valuation has been reviewed this year with additional risk factors which have been used regarding the country premium risk and the accumulated delays to take into account the specificity of risks of those projects described in the dedicated part. Use of those factors have led the management to apply an impairment to the valuation of those assets this year.

7.1.5. Valuation Methods and rules

All consolidated entities apply uniform accounting policies for similar transactions and events.

A) Goodwill

Business combinations are accounted for using the purchase method, in accordance with the provisions of IFRS 3 – Business combinations. All assets, liabilities and contingent liabilities acquired are posted at their fair value. Goodwill is measured as the difference between:

- o the aggregate of (i) the value of the consideration transferred (generally at fair value), (ii) the amount of any non-controlling interest, and (iii) in a business combination achieved in stages (see below), the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree, and

- o the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed (measured in accordance with IFRS 3).

Goodwill is not amortized but is tested for impairment annually or more frequently if internal or external events or circumstances indicate that a reduction in value is likely to have occurred. In particular, the balance sheet value of goodwill is compared to the recoverable amount which corresponds to the higher of market fair value and value in use. In order to determine their value in use, fixed assets are grouped together in the

Cash Generating Unit (CGU) to which they belong. The value in use of the CGU is determined by the discounted cash flow (DCF) before tax method. The recoverable amount of the CGU determined in this way is then compared to the contributory value of the assets in the consolidated balance sheet (including goodwill). A provision for depreciation is posted, if applicable, if this value in the balance sheet is more than the recoverable amount of the CGU and is applied as a priority against goodwill. This impairment is recognized in operating income. It cannot be reversed when it has been charged against goodwill. In accordance with IFRS 3, negative goodwill is recognized as profit immediately under operating income.

B) Intangible assets

Like all assets, an intangible asset is an identifiable element of the company's assets. An intangible asset is a non-monetary asset without physical substance.

According to IAS 38 "Intangible Assets", the conditions to be met to post an asset resulting from the development (or an internal project development phase IAS 38.57) or the development cost of a project to "intangible assets" item correspond to the following criteria:

- establishment of technical feasibility of completion of intangible asset so it can be used or sold;
- intention to complete intangible asset;
- ability of company to use it or sell it;
- determination of future economic benefits (in other words, the benefit this asset will contribute directly or indirectly to flows to the company);
- current or future availability of resources necessary to complete this project;
- ability to reliably measure costs related to this asset.

Elements acquired for payment are recognized at purchase cost and elements produced by the company are recognized at production cost. The entry costs of an intangible asset correspond to the direct costs attributable to the project only.
Production costs can be incorporated into the entry costs of the intangible asset when the conditions set out above are met. Costs incurred before this date are not retrospectively posted to assets.
The Group's main intangible assets are as follows:

- development costs meeting the above criteria;
- operating licenses including the costs directly associated with acquiring or obtaining them;
- patents acquired or created internally;
- software development costs, on its relative share of internal or external costs due to its creation or performance improvement

Intangible assets are amortized over their useful life by the user company and not over their probable life.

In the case of legal or contractual protection, the amortization period used is the shorter of the period of use and the duration of this protection. In this last case, it is possible to consider the renewal of rights when this renewal is materially and reasonably foreseeable.

Amortization starts on the date on which the asset is ready to be used for the purpose intended by the management.

The amortization applied reflects the pattern of consumption by the company of the future economic benefits expected from the asset.

If this cannot be reliably determined, the straight-line method is used. Useful life, mode of amortization and residual value must be re-examined at each year-end. In the case of application or reversal of depreciation, the amortization plan must be corrected.

Research activities are charged to expense when they are incurred and cannot be incorporated into the cost of the asset subsequently. Research costs charged to expense are, for example, activities aiming to obtain new knowledge, the search for alternative solutions for materials, processes or products…

Start-up costs must be charged to expense. Research costs, as well as other development and study costs not meeting the criteria mentioned above are also charged to expense in the financial year during which they are incurred.

C) Tangible assets

In accordance with IAS 16 “Tangible assets”, the gross value of assets corresponds to their purchase price or production cost. It is not re-valued.

When the components of an asset have different lifetimes, they are posted separately and amortized over their particular useful life. Significant spare parts are thus capitalized and amortized over the useful life of the respective production units.

On the other hand, the maintenance and repair costs of production units intended to keep them in good working order and not to significantly increase the expected economic benefits or extend their useful life are recognized as an expense when they are incurred.

To date, obligations likely to generate dismantling and removal costs for assets have not been identified. Consequently, no costs of this kind are included in the cost price of the installations and accordingly no ad hoc provision ad hoc has been posted to liabilities.

When received, investment subsidies are posted against the assets they subsidize while repayable subsidies are presented in the liabilities of the balance sheet under the item “other debts”.

Tangible assets are amortized using the straight-line method, over the principal estimated economic useful life of the corresponding assets, unless the asset is the subject of a license or a right for a shorter time.

Thus, production installations are amortized using the straight line method over their estimated useful life from the date on which the asset is ready to be put into service, in other words when it is in the necessary place and condition so it can be used in the way specified by the management.

The Group adjusts the useful life of fixed asset annually. Hydropower Plants are amortized using the straight line method over the duration of the concession. Other tangible assets are amortized using the straight-line method over periods between 2 and 10 years. To date, no Power Purchase Agreement (PPA) having been signed with conceding authorities for any concession owned by the Group, IFRIC 12 has not been applied to those assets. Depending on the concession, the norm may apply and impact the respective asset’s classification in case such PPA would be signed.

D) Leased assets

According to IAS 17, leases are reported as finance leases when the terms of the lease agreement transfer substantially all the risks and rewards incident to ownership to the lessee. Property that is the subject of a finance lease agreement or similar is posted to assets, generally for the value stipulated in the agreement, under the corresponding fixed assets items; amortization is calculated over identical periods to those used for other assets of the same kind. The consideration for these assets is posted to the liabilities of the balance sheet under the item borrowing and financial debts and is amortized according to the schedule of the agreements for the fraction of the fees corresponding to the repayment of the principal amount. The restatement of fees has an impact on the income.

Lease agreements in which the lessor retains almost all of the risks and rewards incident to ownership of the asset are posted as simple lease agreements. Payments under simple lease agreements are posted as expenses in the income statement on a linear basis until the expiry date of the agreement.

E) Impairment of elements of fixed assets

According to IAS 36 “Impairment of assets”, the recoverable amount of tangible and intangible assets is tested as soon as there are any indications of impairment, these being reviewed at the end of each financial year.

- Intangible assets with a finite life and tangible assets: the value of significant assets is reviewed at each financial year-end to look for any indication of impairment. If such indications exist, the recoverable amount of the assets is estimated and impairment is recorded when the book value of an asset is more than its recoverable amount. The recoverable amount of an asset is the higher of an asset’s net selling price (selling fees included) and its value in use determined by estimating the future cash flows generated by the asset.
- Intangible assets with an indeterminate useful life: they are subject to an impairment test at the level of cash generating units according to the policies presented above in § A) Goodwill.

F) Financial assets

Financial assets are defined by standards IAS 32 “Financial instruments: presentation” and IAS 39 “Financial instruments: Recognition and measurement”. The latter requires financial assets to be reported in four categories:

- loans and receivables granted by the company

This category includes loans and receivables associated with financial investments. These assets are measured at amortized cost. Their value in the balance sheet includes the outstanding capital, subjected to a depreciation test in case there are clues of losses in their value. Impairment is recognized in the income statement.

- held-to-maturity financial investments

These assets essentially include bonds and certificates of deposit which cannot be readily available or disposed of in the very short-term or which present significant risks of impairment if interest rates change. They are acquired with the intention of keeping them until they mature. They are posted using the amortized cost method and subject to a depreciation test in case there are clues of losses in their value.

- Financial assets at fair value through profit and loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit at inception. Both categories are shown separately on the statement of financial position. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short

term. Financial assets designated at fair value through profit and loss at inception are those that are managed and their performance is evaluated on a fair value basis. Assets in this category are classified as current assets if they are expected to be realized within twelve months of the closing date. This category includes, in particular, cash mutual funds and negotiable debt securities, which can be mobilized or disposed of in the very short-term and do not present significant risks of impairment if interest rates change.

- available-for-sale financial assets

These assets include all other assets that do not correspond to the three previous categories. They essentially include equity shares and investment securities.

G) Cash and cash equivalent

Cash (as shown in Cash Flow Statement) is defined as the sum of cash available and cash equivalent less bank overdrafts, if any. There is no bank overdraft as of end of this financial year. Cash equivalent includes mainly deposits and Money Market Funds that are not subject to significant price variations, that are easily available and of which the conversion amount into cash is known or subject to insignificant variations.

H) Financial liabilities

Financial liabilities include bank debts and other financial debts. They are initially recorded at fair value net of transaction costs and subsequently valued at amortized cost. Financial liabilities also included derivatives in previous years.

I) Derivatives

Derivatives are firm or optional and relate to the following elements: an interest rate, an exchange rate, the price of a share, the price of a raw material, a credit risk or an index calculated on the basis of one of the underlying elements mentioned previously.

IAS 39 “Financial instruments: recognition and measurement” requires all derivatives to be recorded in the balance sheet at fair value when they are set up and when they are re-valued at each financial year-end

Derivatives are fair valued; all gains and losses are recognized in profit and loss.

J) Inventories

Stocks mainly consist of non-strategic spare parts required for the operation of plants. They are valued at cost price or mark-to-market price, if the latter is less than the purchase price.

K) Accounts receivable/Accounts payable

Accounts receivable and accounts payable are valued at their fair value on the date of initial recognition.

Provisions for depreciation are recorded for bad debts and determined per customer, depending on the assessment of the risk of non-collection.

L) Deferred taxation

In accordance with IAS 12 “Income taxes”, deferred taxes are recognized for all temporary differences between the carrying amounts of assets and liabilities and their tax base, as well as for tax deficits. Differences are temporary when they are expected to be reversed in the foreseeable future.

Deferred tax assets are recognized in the balance sheet when it is more probable than improbable that they will be used against future profits in foreseeable future.

In accordance with the standard, deferred tax assets and liabilities are offset for the same tax entity, tax assets and liabilities are not discounted.

M) Share option, warrants and free shares plans at agreed unit price

Share options can be granted to managers and certain employees of the Group. In accordance with IFRS 2 "Share-based Payment", these plans are recognized at fair value on the date they are granted. Value changes after the date of granting have no impact on this initial valuation (because these are plans settled in equity instruments).

The value of the plans is estimated according to current market practices. This value is recorded as a payroll expense on a straight-line basis between start date of acquisition of rights and the date of exercise – vesting period – with a direct counterpart in Equity.

When free shares replaced equity warrants and stock-option plans in 2016 and 2017, it has been agreed that the existing instruments would be replaced by free shares granted with a two to one ratio and following the same vesting, if any, as the one of the initial instruments agreements. The treasury shares held by the Group were used to allocate the above free shares.

N) Pension commitments and similar

There are no significant post-employment benefits (retirement pension or similar).

O) Provisions

In accordance with IAS 37, provisions are reported as current provisions (for the less than one year part) and non-current (for the more than one year part).

Provisions are reported when the Group has a legal, regulatory, implicit or contractual obligation as a result of past events, when it is probable that an outflow of resources is necessary to settle the obligation and the amount of the obligation can be reliably assessed. The amount posted to a provision represents the best estimate of the risk at each financial year-end, after consulting the company's legal advisors, if applicable.

P) Revenue Recognition

In accordance with IAS 18 requirements, a revenue is recognized in the income statement when it is probable that any future economic benefit associated with the item of revenue will flow to the entity, and the amount of revenue can be measured with reliability.

Turnover consists essentially of revenues obtained from:

- long-term energy supply contracts; and
- incidentally, engineering service revenues.

Q) Other operating income and expenses

Other operating income and expenses consist of transactions which, due to their characteristics, are unusual in nature or non-recurring. It includes mostly the results linked to entities sold or wind-up during the year and had a positive impact EUR 3.0m in 2017.

R) Method of calculating earnings per share

In accordance with IAS 33, net earnings per share is calculated by dividing the net income group share attributable to ordinary shareholders by the average weighted number of shares in circulation during the financial year. Net diluted earnings per share is obtained by dividing the net income group share by the average weighted number of shares in circulation during the period for which the calculation is carried out, adjusted by the maximum impact of the conversion of convertible instruments in ordinary shares according to the so-called share buyback method.

S) Segment reporting

In accordance with IFRS 8, VELCAN publishes primary segment reporting per geographical area.

The Group's geographical segments are as follows:

- Europe
- South America
- Middle East and Africa
- Asia

7.2. Consolidation scope

As of 31 December 2017, the base of consolidation of Velcan includes 14 fully consolidated companies.

7.2.1. Base of consolidation

The following companies are consolidated:

Company in Luxembourg	Adress	Method of Consolidation	% of control 2017.12	% of Interest 2017.12	% of control 2016.12	% of Interest 2016.12	Comments
VELCAN SA	11 Avenue Guillaume, L-1651 Luxembourg	Parent Company	100%	100%	100%	100%	Created on 12/02/09
Indian Companies	**Adress**	**Method of Consolidation**	**% of control 2017.12**	**% of Interest 2017.12**	**% of control 2016.12**	**% of Interest 2016.12**	**Comments**
VELCAN RENEWABLE ENERGY Pvt Ltd	No. 572,"Samruddhi Nilaya",Unit No. 2, 2nd Floor,1st Cross, Police Station Road, Behind Govt High School, Hebbal,Bangalore-560 024	Full integration	100%	100%	100%	100%	Created on 31/03/2006
PAUK HYDRO POWER PVT LTD	G-77, Sujan Singh Park, New Delhi-110003	Full integration	100%	100%	100%	100%	Created on 15/11/2007
SIYOTA HYDRO POWER PVT LTD	G-77, Sujan Singh Park, New Delhi-110003	Full integration	100%	100%	100%	100%	Created on 15/11/2007
HEO HYDRO POWER PVT LTD	G-77, Sujan Singh Park, New Delhi-110003	Full integration	100%	100%	100%	100%	Created on 14/11/2007
HIRIT HYDRO POWER PVT LTD	G-77, Sujan Singh Park, New Delhi-110003	Full integration	100%	100%	100%	100%	Created on 14/11/2007
SOUTH INDIA ENERGY CONSULTANTS PRIVATE LIMITED	No. 572,"Samruddhi Nilaya",Unit No. 2, 2nd Floor,1st Cross, Police Station Road, Behind Govt High School, Hebbal,Bangalore-560 024	Full integration	100%	100%	100%	100%	Acquired on 06/02/2014
Company in United Arab Emirates	**Adress**	**Method of Consolidation**	**% of control 2017.12**	**% of Interest 2017.12**	**% of control 2016.12**	**% of Interest 2016.12**	**Comments**
VELCAN ENERGY HOLDING DUBAI	Office 33, Level 3, Gate Village Bldg # 4, Dubai International Financial Centre PO box 113355 - Dubai - UAE	Full integration	100%	100%	100%	100%	Created on 23/04/2007

Brazilian Companies	Adress	Method of Consolidation	% of control 2017.12	% of Interest 2017.12	% of control 2016.12	% of Interest 2016.12	Comments
VELCAN DESENVOLVIMENTO ENERGETICO DO BRASIL Ltda	Rua São Tomé, 86 cj 192. Vila Olímpia CEP 04551-080, São Paulo	Full integration	100%	100%	100%	100%	Created on 29/12/2005
SPE RODEIO BONITO	Avenida Getúlio Vargas, n. 283 S, 3° andar, sala 303 Centro – Chapecó CEP 89.802-001 Santa Catarina	Full integration	100%	100%	100%	100%	Created on 22/08/2007
QUEBRA DEDO HIDRELETRICA	Rua São Tomé, 86 cj 192. Vila Olímpia CEP 04551-080, São Paulo	Full integration	0%	0%	100%	100%	Created on 01/02/2008 Wind-up on 05/10/2017
PIRAPETINGA HIDRELETRICA	Rua São Tomé, 86 cj 192. Vila Olímpia CEP 04551-080, São Paulo	Full integration	0%	0%	100%	100%	Created on 28/02/2008 Wind-up on 05/10/2017
IBUTURUNA HIDRELETICA SA	Rua São Tomé, 86 cj 192. Vila Olímpia CEP 04551-080, São Paulo	Full integration	0%	0%	100%	100%	Created on 03/04/2008 Wind-up on 05/10/2017

Company in Mauritius	Adress	Method of Consolidation	% of control 2017.12	% of Interest 2017.12	% of control 2016.12	% of Interest 2016.12	Comments
VELCAN ENERGY MAURITIUS LIMITED	Level 2 Alexander House 35 Cybercity, Ebène, Republic of Mauritius Republic of Mauritius	Full integration	100%	100%	100%	100%	Created on 16/04/2009

Company in Singapore	Adress	Method of Consolidation	% of control 2017.12	% of Interest 2017.12	% of control 2016.12	% of Interest 2016.12	Comments
VELCAN ENERGY SINGAPORE PTE LTD	1 Scotts Road #24-05 Shaw Centre Singapore 228208	Full integration	100%	100%	100%	100%	Created on 06/05/2011
VELCAN MEUREUBO 2 HYDRO POWER PTE. LTD.	1 Scotts Road #24-05 Shaw Centre Singapore 228208	Full integration	0%	0%	100%	100%	Created on 10/11/2014 Sold on 11/07/2017

Company in Indonesia	Adress	Method of Consolidation	% of control 2017.12	% of Interest 2017.12	% of control 2016.12	% of Interest 2016.12	Comments
PT. Redelong Hydro Energy (formerly: PT Velcan Ilthabi Hydropower)	Gedung Inti Centre Jl. Taman Kemang No. 32 A, Bangka, Mampang Prapatan, Jakarta 12730, Indonesia	Full integration	95%	95%	95%	95%	Created on 13/10/2011
PT. Lampung Hydroenergy	Gedung Inti Centre Jl. Taman Kemang No. 32 A, Bangka, Mampang Prapatan, Jakarta 12730, Indonesia	Full integration	0%	0%	92%	92%	Created on 09/12/2011 Sold on 21/12/2017
PT. Aceh Hydropower	Gedung Inti Centre Jl. Taman Kemang No. 32 A, Bangka, Mampang Prapatan, Jakarta 12730, Indonesia	Full integration	0%	0%	95%	95%	Created on 04/01/2012 Sold on 11/07/2017
PT. Bilah Membangun (formerly: PT. Sangir Hydro)	Gedung Inti Centre Jl. Taman Kemang No. 32 A, Bangka, Mampang Prapatan, Jakarta 12730, Indonesia	Full integration	0%	0%	92%	92%	Created on 09/07/2012 Sold on 03/02/2017
PT. Jambuaye Hydropower Plant	Gedung Inti Centre Jl. Taman Kemang No. 32 A, Bangka, Mampang Prapatan, Jakarta 12730, Indonesia	Full integration	95%	95%	95%	95%	Created on 05/08/2015

7.2.2. Changes in consolidation scope

The consolidation scope has been reduced to 14 companies as of the end of 2017 FY, as compared to 21 companies as of the end of FY 2016.

7.3. Currency rates

1 € =	31.12.2017		31.12.2016	
	Closing rate	Average rate	Closing rate	Average rate
BRL (Brazilian Real)	3.98	3.61	3.43	3.86
INR (Indian Rupee)	76.68	73.57	71.63	74.46
AED (Dirham UAE)	4.39	4.15	3.87	4.07
USD (US Dollar)	1.20	1.13	1.05	1.11
SGD (Singapore Dollar)	1.61	1.56	1.52	1.53
IDR (Indonesian Rupiah)	16,133	15,115	14,243	14,768

7.4. Notes on the balance sheet and income statement

Note 1 – Intangible Assets

Intangible assets as of 31 December 2017 are detailed as follows:

In thousands of euros	Development costs	Intangible assets in progress	Licenses, patents and rights	Total
Gross value	2,710	28,568	1,239	**32,518**
Amortization & Impairment	(783)	(14,820)	(363)	**(15,967)**
Net closing balance at 31.12.2016	**1,926**	**13,748**	**876**	**16,551**
Gross value				
Opening balance at 01.01.2017	2,710	28,568	1,239	**32,518**
Foreign Currency translation	(352)	(1,844)	(169)	**(2,365)**
Acquisitions	-	777	-	**777**
Reclassification	-	21	-	**21**
Closing balance at 31.12.2017	2,357	19,962	1,070	**23,390**
Amortization & Impairment				
Opening balance at 01.01.2017	(783)	(14,820)	(363)	**(15,967)**
Foreign Currency translation	111	1,250	53	**1,414**
Amortization/Impairment for the year	(106)	(2,291)	(48)	**(2,445)**
Disposals/Write back	-	7,470	-	**7,470**
Closing balance at 31.12.2017	(778)	(8,392)	(358)	**(9,527)**
Net closing balance at 31.12.2017	**1,579**	**11,571**	**712**	**13,862**
Gross value	2,357	19,906	1,070	**23,333**
Amortization & Impairment	(778)	(8,335)	(358)	**(9,471)**
Net closing balance at 31.12.2017	**1,579**	**11,571**	**712**	**13,862**

Intangible assets mainly include amounts paid for acquiring the concessions for hydroelectric projects as well as external and internal costs incurred during the project's development and attributable to projects meeting the criteria defined in the accounting principles (see above, 7.1.5, B). These projects are as follow:

- Rodeio Bonito concession in Brazil: EUR 2.2m
- Direct costs on hydroelectric projects under development (India): EUR 11.7m

The most significant changes (a EUR -2.7m variation) during FY 2017 refers to:

- capitalization of development fees on projects under development: EUR 0.8m
- impact of FX variation: EUR -1.0m
- impairment and amortisation: EUR -2.5m

Of which

- Indonesian projects impairments and Rodeio Bonito amortization: EUR 0.3m
- Indian projects impairments: EUR 2.2m

Intangible assets as of 31 December 2016 are detailed as follows:

In thousands of euros	Development costs	Intangible assets in progress	Licenses, patents and rights	Total
Gross value	2,179	25,993	984	**29,156**
Amortization & Impairment	(541)	(8,794)	(249)	**(9,584)**
Net closing balance at 31.12.2015	**1,638**	**17,199**	**735**	**19,572**
Gross value				
Opening balance at 01.01.2016	2,179	25,993	984	**29,156**
Foreign Currency translation	531	1,398	255	**2,184**
Change in perimeter	-	23	-	**23**
Acquisitions	-	2,034	-	**2,035**
Disposals/Write off	-	(879)	-	**(879)**
Reclassification	-	(0)	-	**(0)**
Other movements				**-**
Closing balance at 31.12.2016	2,710	28,568	1,239	**32,518**
Amortization & Impairment				
Opening balance at 01.01.2016	(541)	(8,794)	(249)	**(9,584)**
Foreign Currency translation	(144)	(1,277)	(69)	**(1,490)**
Amortization/Impairment for the year	(99)	(5,628)	(45)	**(5,772)**
Disposals/Write back	-	879	-	**879**
Reclassification	-	0	-	**0**
Other movements				**-**
Closing balance at 31.12.2016	(783)	(14,820)	(363)	**(15,967)**
Net closing balance at 31.12.2016	**1,926**	**13,748**	**876**	**16,551**
Gross value	2,710	28,568	1,239	**32,518**
Amortization & Impairment	(783)	(14,820)	(363)	**(15,967)**
Net closing balance at 31.12.2016	**1,926**	**13,748**	**876**	**16,551**

Note 2 – Tangible assets

Tangible assets variations as of 31 December 2017 are detailed as follows:

In thousands of Euros	Land and Buildings	Technical installations	Vehicles	Furniture computer equip.	Total
Gross Value	18,106	245	26	168	**18,545**
Depreciation & Impairment	(5,302)	(238)	-	(112)	**(5,651)**
Net closing balance at 31.12.2016	**12,804**	**7**	**26**	**56**	**12,893**
Gross value					
Opening balance at 01.01.2017	18,106	245	26	168	**18,545**
Foreign Currency translation	(2,470)	(11)	(1)	(14)	**(2,496)**
Acquisitions	44	-	-	4	**49**
Reclassification	-	-	(21)	-	**(21)**
Closing balance at 31.12.2017	15,454	71	3	113	**15,640**
Depreciation & Impairment					
Opening balance at 01.01.2017	(5,302)	(238)	-	(112)	**(5,651)**
Foreign Currency translation	790	11	-	8	**809**
Depreciation/Impairment for the year	(681)	(4)	-	(5)	**(691)**
Disposals/Write back	0	163	-	44	**207**
Closing balance at 31.12.2017	(5,193)	(68)	-	(65)	**(5,326)**
Net closing balance at 31.12.2017	**10,261**	**3**	**3**	**48**	**10,315**
Gross Value	15,454	71	3	113	**15,640**
Depreciation & Impairment	(5,193)	(68)	-	(65)	**(5,326)**
Net closing balance at 31.12.2017	**10,261**	**3**	**3**	**48**	**10,315**

Tangible assets mainly consist of land acquisition and construction costs attributable to projects meeting the criteria defined in the accounting principles (see above, 7.1.5, C). For FY 2017, these projects are as follows (net amounts):

- Rodeio Bonito concession in Brazil EUR 10.3m

Main variations were:

- Depreciation on the Rodeio Bonito powerplant: EUR -0.7m (EUR -0.6 m for 2016)
- FX impact on retranslation of Rodeio Bonito: EUR -1.7 m due to the BRL (EUR +2.7 m for 2016)
- Disposal of Sukarame assets not impaired previously: EUR -0.2m (EUR -0.6 m for 2016)

Tangible assets variations as of 31 December 2016 are detailed as follows:

In thousands of Euros	Land and Buildings	Technical installations	Vehicles	Furniture computer equip.	Total
Gross Value	14,396	248	26	175	**14,844**
Depreciation & Impairment	(3,637)	(223)	-	(97)	**(3,957)**
Net closing balance at 31.12.2015	**10,759**	**25**	**26**	**78**	**10,887**
Gross value					
Opening balance at 01.01.2016	14,396	248	26	175	**14,844**
Foreign Currency translation	3,709	16	0	14	**3,739**
Change in perimeter	-	-	-	(23)	**(23)**
Acquisitions	2	-	-	3	**4**
Disposals/Write off	-	(19)	-	(1)	**(20)**
Closing balance at 31.12.2016	18,106	245	26	168	**18,545**
Depreciation & Impairment					
Opening balance at 01.01.2016	(3,637)	(223)	-	(97)	**(3,957)**
Foreign Currency translation	(1,029)	(15)	-	(8)	**(1,051)**
Depreciation/Impairment for the year	(637)	(10)	-	(7)	**(653)**
Disposals/Write back	-	9	-	-	**9**
Closing balance at 31.12.2016	(5,302)	(238)	-	(112)	**(5,651)**
Net closing balance at 31.12.2016	**12,804**	**7**	**26**	**56**	**12,893**
Gross Value	18,106	245	26	168	**18,545**
Depreciation & Impairment	(5,302)	(238)	-	(112)	**(5,651)**
Net closing balance at 31.12.2016	**12,804**	**7**	**26**	**56**	**12,893**

Note 3 – Current and non-current Financial assets

Financial assets are mainly consisting in listed bonds and equities:

Thousands of Euros	31.12.2017	31.12.2016
Financial assets designated at fair value through profit and loss	56,202	48,113
Loans and receivables	1,667	78
Total Current Financial assets	**57,869**	**48,190**
Financial assets designated at fair value through profit and loss	1,840	1,624
Loans and receivables (1)	3,396	882
Total non-current financial assets	**5,236**	**2,506**
Total financial assets	**63,105**	**50,696**

(1) **Litigations and recovery procedure of a direct secured loan**

In 2016 the Group, as part of the management of its USD treasury, has accorded a direct senior loan of USD 1.6 Million to a third party for financing the acquisition of a vessel. The loan was secured by a first preferred mortgage. Since then the borrower has defaulted and the vessel has been arrested in Nigeria by other alleged creditors. The loan has been restructured with a new borrower and the Group has engaged procedures to lift the arrests and recover its dues. Several arrests have already been lifted. As of 31st December 2017 the total amount due under the restructured loan is USD 3.1 m and various recoverable expenses related to the recovery of the said loan amounts to USD 0.7 m. The amount due by the new borrower remains secured by a first rank mortgage on the said vessel. To the extent that the recoverability of the loan will depend ultimately on the resolution of the legal disputes in relation with the ownership of the vessel and potentially the enforceability of the mortgage, a partial impairment has been booked in the accounts.

Note 4 – Deferred tax and Income Tax

The income tax is broken down as follows:

In thousands of Euros	31.12.2017	31.12.2016
Current Income Tax	(237)	(347)
Deferred tax	(339)	(219)
Tax income (+) and Expenses (-)	**(576)**	**(566)**

Deferred tax assets mainly refer to a deferred tax asset on tax losses brought forward at the level of VELCAN.

The reconciliation between recorded and theoretical income tax is detailed as follows:

In thousands of euros	31.12.2017	31.12.2016
Net income	**(9,566)**	**(1,358)**
Net profit of investment accounted for using the equity method	-	-
Income tax	(576)	(566)
Income before tax	**(8,990)**	**(792)**
Theoretical rate of taxation	**27.08%**	**29.22%**
Theoretical tax profit (+) or loss (-)	**2,435**	**231**
Permanent/temporary differences	2,623	1,029
Variation of tax loss recognized as assets	(339)	(219)
Tax loss not recognized as assets	(5,083)	(510)
Tax rate differences	(214)	(1,095)
Other differences	2	(2)
Tax Income (+) and Expenses (-)	**(576)**	**(566)**

In accordance with IAS 12, the Group has assessed its ability to collect deferred taxes recognized as assets on a case by case basis.. Indian subsidiaries owning Arunachal Pradesh (India) concessions have no tax losses brought forward.

Cumulated deficits of other entities (Mainly Indian, Brazilian and Singaporean holdings) have not been activated because the probability to be in a position of using those deficits against future benefits is very uncertain.

Note 5 - Trade and other receivables

Trade and other receivables are broken down as follows:

In thousands of Euros	31.12.2017	31.12.2016
Biomass electricity customers in India	2,541	2,720
Provision on Biomass electricity customers	(2,541)	(2,720)
Hydro electricity customers	283	348
Others	2	17
Total	**285**	**365**

The hydro power sales receivables relate to Rodeio Bonito 2017 power production and amount to EUR 0.3m. Payment has been received subsequent to year end.

The Group previously owned two Biomass power plants in India, named Satyamaharshi (SMPCL) and Rithwik (RPPL). As of 31 December 2017, the payment arrears claimed by VELCAN for its period of ownership amount to EUR 2.5m, before interests. These arrears are related to a dispute between the Association of Biomass Producers of the State of Andhra Pradesh and their client APTRANSCO. These amounts have been fully impaired while awaiting the outcome of this dispute.

Note 6 – Other Current Assets

Other current assets are broken down as follows:

In thousands of Euros	31.12.2017 Net	31.12.2016 Net
Tax and social receivables	318	332
Other receivables	214	343
Total	**532**	**675**

Note 7 – Cash & Cash equivalents

The Cash & Cash equivalent is allocated as follows:

In thousands of Euros	31.12.2017	31.12.2016
Cash equivalent	22,054	49,266
Cash	15,481	5,184
Cash & Cash equivalent (Assets)	**37,536**	**54,449**
Current creditor bank accounts	-	-
Total net cash balance	**37,536**	**54,449**

Note 8 – Equity

Capital:

As at 31 December 2017, the subscribed capital amounts to EUR 6,605,442 represented by 6,605,442 fully issued and subscribed shares with a nominal value of EUR 1 each.

The authorized share capital amounts to EUR 30,000,000 represented by 30,000,000 shares with a nominal value of EUR 1 each.

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximising the return to stakeholders. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets and the overall strategy remains unchanged from 2016. The subscribed capital is sufficient to support the Group's financial needs during pre-construction/prospection stage. The Group will review its capital requirements as it moves to the construction stage.

Own Shares:

At 31st December 2017, the Group holds 379,332 own shares (2016: 1,791,382). At year end closing price of EUR 9.85 those own shares have a market value of EUR 3.4m. In accordance with IFRS rules, those shares reduce shareholders' equity by the amount of the initial acquisition cost and the unrealized gain on own shares is not taken into account in the Group's consolidated result.

Change in number of shares:

In number of shares	31.12.2017	Unit Price	31.12.2016	Unit Price
At beginning of the period	**7,805,442**	**1.0**	**7,797,442**	**1.0**
Cash capital increase on 08 January 2016		1.0	8,000	1.0
Capital reduction on 31 July 2017	1,200,000			
At the end of the period	**6,605,442**	**1.0**	**7,805,442**	**1.0**

Conversion reserves and Available for Sale financial assets reserves:

At the end of the period the assets and liabilities of subsidiaries are translated into the current currency of the Group at the rate of exchange prevailing at that date (see 7.3) and their income statements are translated at the weighted average exchange rate of the year. Foreign exchange differences between the historical data and results of these conversions are assigned to conversion reserves.

The conversion reserves include also the unrealized exchange differences on long term loans, in currencies, granted to the subsidiaries. Hence, as of 31 December 2017, those cumulative reserves represent an unrealized loss of EUR -7.7m, booked against equity, versus a net unrealized loss of EUR -4.3m at the end of 2016.

In thousands of Euros **Other comprehensive Income**	Conversion reserve on Retained Earnings and Equity	Conversion reserve on LT Interco Loans	Total
Opening balance at 01.01.2017	(3,999)	(342)	(4,341)
Variation in 2017	(906)	(2,527)	(3,433)
Closing balance at 31.12.2017	(4,905)	(2,869)	(7,774)

In thousands of Euros **Other comprehensive Income**	Conversion reserve on Retained Earnings and Equity	Conversion reserve on LT Interco Loans	Total
Opening balance at 01.01.2016	(4,029)	(4,154)	(8,183)
Variation in 2016	30	3,812	3,842
Closing balance at 31.12.2016	(3,999)	(342)	(4,341)

Share based payment arrangements

i. Equity Warrants existing as of 31/12/2017:

The Company has issued stock-options and equity warrants during previous financial years to employees, management or consultants of the Company and its subsidiaries. One equity warrant gives the right to apply for one share.

As of the 31st December 2017, the following equity warrants are issued and still valid:

Warrant ref.	Issue date	Number of warrants existing	Number of warrants exercisable	Subscription price	Expiry date	Fair value of the plan at grant date (k€)	Cost for 2017 (k€)
BSA2013-1	23/04/2013	13 600	13 600	10 Eur	23/04/2023	40	0
BSA2013-2	23/04/2013	8 000	8 000	21.4 Eur	23/04/2023	3	0

ii. other share based payment arrangements:

In 2016, whereby three equity warrants plans granted to a director of subsidiaries of the Group were traded against existing shares held by the Group as treasury shares with a ratio of one existing share for two equity warrants. 29,750 shares were traded against 59,500 equity warrants already vested in 2016 at the date of the transaction. The non-vested equity warrants were traded against existing shares with the same two to one ratio and following the same vesting as the one of the equity warrants original agreements. In 2017, 3000 shares were vested (distributed in January 2018) and 2250 shares will be transferred on 31/12/2018 as final execution of this transaction. The fair value methodology (Black & Scholes model) as described below was applied (vi.) and the incremental cost recognized for 2017 is EUR 41,138.

iii. Free shares plans granted to the management of the company during the year:

New instruments (Free shares Grant) were allocated to the management on September 20th 2017
The fair value methodology (Black & Scholes model) as described below was used (vi.). Expected volatility was 17.11% while the risk free interest rate was factored at 0.6%. The detail of the vesting and related fair value is as below:

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL
Vesting of Free Shares for the management (in Shares)	195,000	32,500	32,500	32,500		292,500
Of which distributed	195,000					195,000
Of which not distributed	-	32,500	32,500	32,500		97,500
Fair value of new plans	2,378,801	564,502	275,179	113,092		3,331,575

iv. Stock Options plans and Equity warrants that have been cancelled, replaced or expired during the year:

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL
Cancellation or termination of Stock-options and equity warrants plans (in number of potential new shares)	- 707,275	- 57,075	- 53,250	- 50,250	- 750	- 868,600
Fair value at grant date of Stock-options and equity warrants plans cancelled	- 2,837,847	- 82,679	- 46,279	- 20,972	- 647	- 2,988,424

Above plans cancelled includes mostly equity warrants previously granted to Luxembourg Hydro Power, a company related to the management of the Company and cancelled during the year (Fair value at grant date of EUR 2,485,362).

v. Free shares plans granted in the year to employees following the cancellation of their existing share based payment instruments:

A large part of the share based payment instruments allocated during previous financial years to employees of the Company and its subsidiaries have been replaced in September 2017 by free shares Grant. The fair value methodology (Black & Scholes model) as described below was used (vi.).The detail of the vesting and related fair value is as below:

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL
Vesting of Free Shares replacing existing warrants and stock-options (in shares)	19,313	2,637	1,125	750	375	24,200
Of which distributed	17,050					17,050
Of which not distributed	2,263*	2,637	1,125	750	375	7,150
Fair value of Free Shares plan (in k€)	311,772	32,697	9,222	3,610	997	358,298
Incremental fair value of Free Shares plan (in k€)	152,938					152,938

* Paid in January 2018

When free shares replaced option plans, it has been agreed that the non-vested options would be replaced by free shares with a two to one ratio and following the same vesting as the one of the initial options agreements. The treasury shares held by the Group were used to allocate the above free shares. The original subscription prices of equity warrants and stock-options plans were between EUR 8.7 and 27.7. Share price used in the model was EUR 11.39, while expected volatility (based on 100 days of stock exchange prices) was 17.11% and option life between 6 months for the shortest plan and 8 year for the longest plan. No dividend expected were featured in the model, while the risk free interest rates were factored between -0.65% for the shortest Plan and 0.35% for the longest Plan.

vi. Fair value Methodology:

Fair value - when the Free Shares (and previous options and warrants) were granted - has been estimated with Black & Scholes model and following assumptions: the discount rate used for the evaluation corresponds to the OAT accrued at the date of maturity of the French Treasury bonds and Stock volatility is estimated on the closing price of 100 cumulative days before each respective Board. For non-vested instruments a weighted prorated calculation is used on the basis of time between the attribution date and the vesting date. Once the instrument is vested the full fair value cost is booked in the reserve.

The free shares did not impact cash and does not affect shareholders' funds. EUR 2.5m of payroll expenses has been booked in the net income statement. EUR 1.0m is still to be booked on future financial years between FY 2017 and FY 2021 for 2017 Free Shares plans.

Beneficiary shares and voting rights

Beneficiary Shares (also sometimes known as Founders' Shares) are issued by the Company, in accordance with Article 37, paragraphs 1 and 2 of the Luxembourg Law of 10th August, 1915 on commercial companies. Those Beneficiary Shares are different from ordinary shares as they do not give access to the Company's share capital. As provided for in article 7.7 of Velcan SA's Article of Association, one Beneficiary Share gives one voting right to its owner in the Company's General Meetings. One Beneficiary Share is allocated to a shareholder against each share continuously registered for a period of 4 years under such shareholder's name in the nominative register held directly by the custodian specially appointed by the Company for that purpose (BNP Paribas Securities Services as of the 31/12/2016). A second Beneficiary share is allocated to the shareholder of each share continuously registered for a period of 6 years under the shareholder's name in the nominative register held directly by the custodian specially appointed by the Company for that purpose (BNP Paribas Securities Services as of the 31/12/2017). As a result, the total number of voting rights in the company, existing at 31st December, 2017, is as follows: 10,686,159 (This number includes 379,332 treasury shares from which the voting rights are suspended as per applicable regulations).

Note 9 – Non-current and current Financial liabilities

Non-current and current financial liabilities relate mainly to derivatives instruments (options and forward forex with unrealized loss, booked in the income statement) in 2016 FY. There are none in 2017 FY.

Note 10 – Non-current provisions

Non-current and current provisions cover the following risks:

In thousands of Euros	31.12.2016	Forex Difference	31.12.2017
Provision for retirement payments	0	-	0
Provision for disputes (1)	894	(59)	835
Other provision for expenses	(0)		(0)
Total Provisions (non-current liabilities)	**894**	**(59)**	**835**
Provision for disputes	6	(0)	6
Total provisions (current liabilities)	**6**	**(0)**	**6**
Total provisions	**901**	**(59)**	**841**

Litigation following the acquisition of Satyamaharshi Power Plant (India):

Parties: Velcan India Pvt. Ltd (VEIPL), defendant and the plaintiffs, sellers of the Satyamaharshi Power Corporation Limited (SMPCL, also defendant and outside the consolidation scope as of 31 December 2017).

Facts: SMPCL owns and exploits a biomass thermal plant of 7.5MW. VEIPL bought SMPCL in 2006 and sold it in 2010. According to the agreement signed on 7 April 2006 between VEIPL and the transferors during the acquisition of SMPCL, VEIPL was permitted to retain, during a certain period, a part of the price (INR 15m, or EUR 0.2m at 2017 closing rate) in order to compensate any liabilities that may appear after the acquisition but corresponding to the management period of the vendors prior 2006. Given the issues and liabilities discovered after the acquisition of SMPCL, this amount has been kept as per the terms of the share purchase agreement.
The transferors or related parties today allege that these amounts are due to them and they initiated in 2008 a legal dispute before the Hyderabad City Civil Court, in India.

The same agreement signed on 7 April 2006 states that the receivables in current account (INR 28.9m or EUR 0.4m at 2017 closing rate) detained by them and other related parties, would have been paid for by SMPCL only in case the carbon credits generated before acquisition would have been delivered before October 2007. With the delivery having taken place only in 2008, these amounts have been retained by SMPCL, and the receivables have become obsolete.
After many pre-suit contacts, the related parties owing the initial receivables, and related to the Sellers, filed, at the end of 2008, a claim before the Hyderabad City Civil Court, against SMPCL and VEIPL

Demands: to date the transferors have filed three payment demands against VEIPL:

1. Regarding the disputed retention following the acquisition, for a total amount of EUR 0.3m (at 31/12/2017 closing rate), corresponding to EUR 0.2m as per the share purchase agreement and additional EUR 0.1m of interest from 01 January 2007 to 15 November 2009, date of the filing of the suit. (Amounts stated at closing rate, interest rate of 18%

per year claimed until the payment). This case is still going on and the Group considers the alleged claim is untenable.

2. Regarding the payment of receivables, for a total amount of EUR 0.6m (at 31/12/2017 closing rate), corresponding to EUR 0.4m of principal and EUR 0.2m of interest from 1st April 2006 up to the filing of the suit. (Interest rate of 24% per year until the payment). The City Civil Court, Hyderabad ruled in favor of VEIPL and dismissed the transferors claim on 18th October 2016. M/s. Vishwaksen Industries Private Limited, not filed an appeal against the dismissal of the above Suit within the required 90 days period from the date of the Judgment (i.e 18th October, 2016). However the provision has been maintained as precautionary measure as appeals may in practice be filed for a longer period of time.
3. A new demand has been filled in January 2012 by the transferors against VEIPL and the new shareholders of SMPCL. The transferors are denouncing a delay in the substitution of their personal guarantees given to the creditors which financed the construction of the biomass plant. They are claiming EUR 0.1m (at 31/12/2017 closing rate) plus interest. The case is pending in the court and is under trial stage. The Group considers this demand as frivolous, such as the other claims and has not made any additional provision.

These three litigations are currently still ongoing.

The Group strongly contests owing these amounts. These procedures are still pending before the concerned Courts of the State of Andhra Pradesh. The existing provision amounts to EUR 0.9m at 31 December 2017 and represents the major part of the claim raised. Besides, following the acquisition of SMPCL, the Group discovered different elements justifying the involvement of liability guarantees of the transferors, including a large difference in biomass stock established during the physical inventory, and litigations discovered after acquisition. Following the failure of the pre-litigation that began in 2006, the group may initiate appropriate proceedings to recover these due amounts. Given the low level of solvency of the transferors and the length of the Indian legal procedures, no receivables against these sellers had been booked in the accounts.

Note 11 – Other non-current liabilities

These pertain to advances received of which a reimbursement could be done depending on certain conditions. In previous years, the Group has received several payments pertaining to litigations with APTRANSCO as described under note 5. Although it relates to some first step victories in court, the final outcome of those litigations is still very unsure.

Note 12 – Trade and other Payables

Suppliers and other creditors are detailed as follows:

In thousands of euros	31.12.2017	31.12.2016
Suppliers	456	539
Debts on acquisition of fixed assets (1)	174	184
Others	55	56
Total	**684**	**778**

(1) In 2016: those amounts corresponds mainly to the remaining debt, not paid so far since conditions are not met as per the contracts, to the sellers of Quebra Dedo concession in 2016. This amount has been booked as profit following the winding off of the company in 2017.
In 2017: those amounts corresponds to payable to suppliers of Rodeio Bonito power plant.

Note 13 – Other current liabilities

These is an advance received on the sale of a private equity asset in India. The final settlement on this sale has been received in April 2018.

Note 14 – Business Segment

In accordance with the Group's management and internal reporting rules, business segment is presented per **geographical area**:

31.12.2017 *In thousands of Euros*	Europe	South America	Middle East & Africa	Asia	Total
Income Statement					
Turnover (1)	-	3,111	-	-	**3,111**
Current operating profit	(3,157)	337	(3,083)	(1,889)	**(7,791)**
EBITDA (2)	(5,353)	3,478	618	(440)	**(1,696)**
Net Income (Group Share)	(4,014)	1,869	(9,211)	1,790	**(9,566)**
Tangible assets	(0)	10,289	0	26	**10,315**
Depreciation, Amortization & Provisions	(14)	(834)	(2,209)	(78)	**(3,135)**

(1) More than 10% of the turnover is coming from three clients

(2) The EBITDA corresponds to Earnings Before Interest Taxes, Depreciation and Amortization

31.12.2016 *In thousands of Euros*	Europe	South America	Middle East & Africa	Asia	Total
Income Statement					
Turnover (1)	-	3,650	-	-	**3,650**
Current operating profit	(1,497)	1,973	(3,856)	(3,288)	**(6,668)**
EBITDA (2)	(1,237)	2,753	65	(1,810)	**(230)**
Net Income (Group Share)	(1,287)	1,151	2,869	(4,091)	**(1,358)**
Intangible assets	1,210	2,701	1	12,639	**16,551**
Tangible assets	-	12,601	2	290	**12,893**
Depreciation, Amortization & Provisions	(245)	(780)	(3,905)	(1,496)	**(6,425)**

(1) More than 10% of the turnover is coming from three clients

(2) The EBITDA corresponds to Earnings Before Interest Taxes, Depreciation and Amortization

The turnover per activity is as follows: EUR 3.1m for hydro sales.

Note 15 – Consumed purchases

Those amounts correspond essentially to MRE payments in Brazil for EUR 1.3m in 2017 (EUR 0.3m in 2016 (page 14).

Note 16 – External expenses

External expenses include audit fees as detailed below as well as:

- EUR 0.6m of expenses related to Rodeio Bonito operation
- EUR 0.5m of external expenses related to the recoverability of the loan mentioned in note 3
- EUR 0.2m of rental expenses
- EUR 0.2m of investment management and bank fees
- EUR 0.1m of travel and entertainment expenses
- EUR 0.1m of insurance premiums
- EUR 0.3m of other various expenses

In thousands of Euros	31.12.2017	31.12.2016
Annual accounts auditor fees (BDO)	85	89
Annual accounts auditor fees (others)	2	2
Total	**87**	**91**

Note 17 – Employee expenses

Total average number of employees

Number	31.12.2017	31.12.2016
Engineers and executives	19	23
Office workers and Manual workers	10	15
Average registered number of employees	**29**	**38**

Key management personnel compensation

In thousands of Euros

- short-term employee benefits (1): 1,626
- post-employment benefits NA
- other long-term benefits NA
- termination benefits NA
- fair value in 2017 on Free shares granted (2) 2,379

(1) Employment benefits for key management personnel / Board Members

(2) 2017 fair value on vested free shares by key management personnel / Board Members. 292,500 free shares have been granted to the management in 2017 of which 195,000 have vested in 2017.

The increase compared to 2017 is mostly due to Free shares Grant (see note 8 above).

Note 18 - Depreciation and provisions

In thousands of Euros	31.12.2017	31.12.2016
Intangible assets		
Amortization	(154)	(144)
Provision allowance (1)	(2,291)	(5,628)
Total Intang. Assets	**(2,445)**	**(5,772)**
Tangible assets		
Depreciation (2)	(691)	(653)
Total Tangible Assets	**(691)**	**(653)**
Total amort., dep. and prov.	**(3,135)**	**(6,425)**

(1) Corresponds essentially to provisions/depreciations on Indian capitalized project costs

(2) Corresponds essentially to the depreciation of the Rodeio Bonito concession

Note 19 – Other operational income and expenses

In FY 2017, it corresponds mainly to the net gain on Indonesian projects and entities disposal. It amounts to EUR 3.0m

Note 20 – Net cost of debt and other financial income and expenses

In thousands of Euros	31.12.2017			31.12.2016		
	Income	Expense	Total	Income	Expense	Total
Profit (+) / Loss (-)						
Net Change in Fair Value on FI*	1,523	(6,207)	(4,684)	1,466	-	1,466
Interest & dividends Income (Expense) on FI	3,493	-	3,493	2,372	-	2,372
Other result from FI	2,760	(137)	2,623	273	(343)	(70)
Result from cash and cash equivalents	73	-	73	332	-	332
Foreign currency translation gains/Losses	53	(5,716)	(5,664)	2,147	(384)	1,763
Total financial result	**7,902**	**(12,061)**	**(4,159)**	**6,590**	**(727)**	**5,863**

*FI: Financial Instruments

Net change in fair value on financial instruments includes unrealized foreign exchange differences on those instruments.

Note 21 – Earnings per share

The calculation of earnings per share is detailed below:

	31.12.2017	31.12.2016
Net earnings (in thousands of euros)	**(9,621)**	**(1,265)**
Weighted average shares in circulation (1)	6,069,332	5,985,053
Earnings per share (in euros)	**(1.59)**	**(0.21)**
Weighted average of convertible instruments converted into ordinary shares (2)	6,103,302	6,117,573
Diluted earnings per share (in euros)	**(1.59)**	**(0.21)**

(1) After deduction (addition) of weighted average treasury shares depending on their date of acquisition (Sale)

(2) After addition of weighted average impact of convertible instruments (equity warrant) existing as of December 31st, 2017

Note 22 –Off balance sheet commitments

1) Guarantees given by Velcan Renewable Energy Pvt. Ltd. to the buyers of RPPL Biomass plant, following the sale finalized in February 2010, as part of the sale agreement.

   Those commitments include (other guarantees given have expired or are no more relevant due to closing of the cases):

   i) Specific guarantee linked to a claim between RPPL and one of its supplier, limited to INR 11m (EUR 0.1m)

2) Whatever guarantees that were given to RPPL buyers at time of acquisition, the Group is contesting all the related claims from third parties (suppliers and clients mentioned above). Guarantees given by South India Energy consultants Private Limited / Velcan Renewable Energy Pvt. Ltd. to the buyers of SMPCL Biomass plant, following the sale finalized in July 2010, as part of the sale agreement.

   Those commitments include (other guarantees given have expired or are no more relevant due to closing of the cases):

i) Specific guarantee linked to litigation between SMPCL and one of its contractors, with no limited amount (EUR 0.2m claimed, before interest).

The guarantee regarding specific litigations related to SMPCL, VEIPL and the earlier owners of SMPCL was provisioned directly in the books by Velcan Renewable Energy Pvt. Ltd. (see note 10 (1) above, worst case scenario risk estimated at EUR 0.8m)

Whatever guarantees that were given to SMPCL buyers at time of acquisition, the Group is contesting all the related claims from third parties (suppliers and clients mentioned above).

3) The Group has committed to honor a contract in India with one of its supplier relative to Pauk TEC and amounting to EUR 0.1m.

4) Specific guarantees related to the sale of Meureubo 2 Hydro power project:

Velcan Energy Mauritius Ltd has given guarantees to the buyers with a ceiling of 50 kUSD until 31/12/2018 to cover potential losses arising from claims linked to the period of management by Velcan.

Velcan Energy Mauritius Ltd has given guarantees to the buyers with no limited amount and no time limit to cover potential tax losses linked to the period of management by Velcan.

5) Specific guarantees related to the sale of Sukarame Hydro power project:

Velcan Energy Holdings (Dubai) Ltd has given guarantees to the buyers with no limited amount until 31/12/2018 to cover potential losses arising from claims linked to the period of management by Velcan.

Velcan Energy Holdings (Dubai) Ltd has given guarantees to the buyers with no limited amount and no time limit to cover potential tax losses linked to the period of management by Velcan.

Note 23 – Related party transactions

Key management personnel compensation is given in note 17 above.
Furthermore, the Company has paid consultancy fees to Luxembourg Hydro Power S.A., a company related to several Board members, for a total amount of EUR 30,333.33 (2016: EUR 483,012). The consultancy service agreement with Luxembourg Hydro Power SA has been terminated with effect on 31st July 2017.

A loan of EUR 3m, bearing 1.332% interest rate and payable before 21/02/2020 has been granted to Saint Merri Capital Sarl, a company affiliated to the management in FY 2017:

- 1.49m of principal has been reimbursed as of 31/12/2017
- 25,891 Euros were interests receivable on the loan as of 31/12/2017

Note 24 – Financial risks factors

The Group's activities expose it to a variety of financial risks: Market risk (including currency risk, interest rate risk and other price risks) credit risk and liquidity risk.

The Group's overall risk management programme seeks to identify the risks to mitigate them.

All securities investments present a risk of loss of capital. The maximum loss of capital on purchased option, long equity and debt securities is limited to the fair value of those positions. The maximum loss of capital on

written put options, long futures and forward currency contracts is limited to the notional contract values of these positions.

The management of these risks is carried out on a weekly basis.

The methods to measure and manage the various types of risk to which it is exposed are weekly reportings, market analysis, company counterpart's reports and financial statements analysis, profit and loss taking policies.

1. Market risk

(a) Other price risks

The Group is exposed to a market risk relating to the fair-value of financial instruments. Where monetary financial instruments are denominated in currencies other than EUR, the price initially expressed in foreign currency and then converted into EUR will also fluctuate because of changes in foreign exchange rates.

The "Foreign exchange risk "paragraph above sets out how this component of market risk is managed and measured.

The Group's policy is to manage price risk through methods mentioned above.

The Group's exposure to price risk is relating mainly to equities and bonds; the total exposure related to securities is as follows:

Financial instruments through profit and loss						
Thousands of Euros	Opening 31.12.2016	Net acquisitions & Disposals	Change in accrued interests	Foreign Currency Translation	Change in fair value (P&L)	Closing 31.12.2017
Level 1	47,922	12,355	2	- 120	- 3,958	56,202
Level 2	1,814	- 272	-	- 30	328	1,840
Total assets	**49,737**	**12,083**	**2**	**- 150**	**- 3,630**	**58,042**
Level 2	- 116	116	-	-	-	-
Total liabilities	**- 116**	**116**	**-**	**-**	**-**	**-**
Net assets & liabilities	**49,621**	**12,199**	**2**	**- 150**	**- 3,630**	**58,042**

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
A quoted market price in an active market provides the most reliable evidence of fair value and is used without adjustment to measure fair value whenever available, with limited exceptions.

Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 2 inputs include:

- quoted prices for similar assets or liabilities in active markets
- quoted prices for identical or similar assets or liabilities in markets that are not active
- inputs other than quoted prices that are observable for the asset or liability, for example
    - interest rates and yield curves observable at commonly quoted intervals
    - implied volatilities
    - credit spreads
- inputs that are derived principally from or corroborated by observable market data by correlation or other means

Financial instruments classified as level 1 are only quoted instruments on active market.

The fair value of financial instruments classified as level 2 is measured on the basis of recent transactions prices.

The effect of a 10% increase in the value of these financial instruments held at the reporting date would, all other variables held constant, have resulted in EUR 5.7m of fair value gain in the net income and net assets.

A 10% decrease in their value would, on the same basis, have decreased the net income and net assets by the same amount.

(b) Foreign exchange risk:

The Group operates internationally and holds both monetary and non-monetary assets denominated in currencies other than EUR, the functional currency. Foreign currency risk arises as the value of future transactions, recognized monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price not foreign currency risk.

Net monetary exposure to currencies is as follows:

- US Dollars (USD) 78%
- Euros (EUR) 17%
- Others 5%

As of 31 December 2017, no hedging has been taken on the asset conversion risk nor on risk of conversion of past or future income.

The turnover is highly sensitive to the EUR/BRL rate due to Rodeio Bonito's operations in the Brazilian local currency.

The following sensitivity analysis, including monetary and non-monetary items is symmetric in the cases of rise and fall of the rates:

		Impact (k€)	
Forex Risk	Variation	**Turnover**	**Comp. income**
EUR/BRL	10%	311	1706
EUR/USD	10%	0	7787
EUR/SGD	10%	0	5
EUR/IDR	10%	0	4
EUR/INR	10%	0	1042

(c) Interest rate risk:

The Group has invested in listed bonds, listed equity funds and listed equities and as such, is exposed to an interest rate risk. An increase in interest rates would have an impact on prices.

The total fair value of these financial instruments as of 31 December 2017 amounts to EUR 57.3m.

2. Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, investment in bonds, as well as outstanding receivables and committed transactions.

The group invests in an extremely diversified array of financial assets including mostly : corporate and government bonds in local and reserve currencies, equities, direct lending and private equity investments.

In 2017, the group main investments have been in corporate bonds again. The exposure has gradually increased from EUR 28.9 m at the beginning of the 2016 year to EUR 46.0 m at 2016 year end and 49.9 m at 2017 year end. The group is mainly exposed to issuers in the BBB and BB categories (as defined by Standard's and Poor). The maturities span a wide range. Although the majority is less than 6 years, some bonds have more than 30 year maturities. A few are of perpetual nature. In 2017 the group invested in majority in USD bonds, from issuers coming both from developed markets and emerging markets. At year end the biggest lines of the Group are with the following issuers : JBS (Brazil), CMA CGM (France), Comcel trust (Guatemala), Olam (Singapore), NORDDEUTSCHE LANDESBANK GIROZENTRALE (Germany), Zurich Insurance (Switzerland), Bluescope Steel (Australia), Israel Electric Corp (Israel), NIPPON LIFE INSURANCE CO (Japan) and the republic of Argentina. These bond investments have performed very well in 2017 at constant exchange rates but the Group has suffered from the US dollar weakening. The Group has invested in bonds since 2008 and has proved a good way to enhance the profits of the Group so far. The Group has only suffered one default (OI/Brazilian telco operators) in its history of bond investments. This default has costed the group EUR 0.3 m. This loss is materially less that the extra gain that the group has derived from investing in bonds compared to staying in cash. The fact that the Group has suffered little from defaults in the past is no predictor that it will not do so in the future. The level of spreads has decreased a lot recently and offers less downside protection than before.

As of December 2017, the Group had also private investments worth EUR 6.8m including private equity (EUR 1.8m) and direct lending (EUR 5.0m). Almost half of Private equity and direct lending investment are in the shipping sector. Given the recent poor performance of this sector these investments have contributed negatively to the performance of the Group in 2016 and 2017. The Group is actively monitoring these investments to try to maximize their value.

As of December 2017, the Group had investments worth EUR 1.5 m in listed equities and EUR 4.8 m in equity funds and hedge funds. The Group believes the current equity markets provide no sufficient reward vs the risks entailed by their level. Were the situation to change, the Group may reinforce significantly its investments in listed equity.

Finally a significant part of the treasury of the Group was kept as of December 2017 in cash or cash equivalents (EUR 37.5m).

3 Liquidity risk

As the Group is mainly funded through equity and has significant cash positions, the liquidity risk is considered not material.

Note 25 – Events subsequent to 31 December 2017

In January 2018, the Quebra Dedo hydropower project (10 MW), which had been stalled for several years because of administrative and environmental issues, has been cancelled by the Brazilian Electricity Regulatory Agency (ANEEL).

In February 2018, Velcan has started a share buyback programme with the purpose of cancelling the purchased shares. All the information on the programme are available on Velcan's website.