VELCAN Holdings

PRESS RELEASE

Luxembourg, 30th April 2019

VELCAN HOLDINGS: ANNUAL RESULTS 2018

POSITIVE NET RESULT DESPITE POOR FINANCIAL MARKETS PERFORMANCE AND DECLINE OF REVENUES
SIGNIFICANT PROGRESS OF THE LAND ACQUISITION FOR THE INDIAN HYDROPOWER PROJECTS

NON AUDITED KEY CONSOLIDATED FIGURES	**2018**	**2017**	**Var %**
Revenues (EUR m)	**2.6**	**3.1**	**-17%**
EBITDA (EUR m)	**-1.6**	**-1.7**	**+4%**
Net Income (EUR m)	**0.5**	**-9.6**	**NA**
Shareholders' Equity (EUR m)	**118**	**123**	**-4%**
Cash and Financial assets	**98**	**101**	**-3%**
Market Capitalization	**46**	**66**	**-30%**
Concession Portfolio	**586 MW**	**657 MW**	**-11%**
Shares Outstanding net of Treasury shares ('000)	**5,813**	**6,226**	**-7%**

During 2018, VELCAN HOLDINGS Group continued to develop and to consolidate its hydropower concessions located in India (571 MW), which have made significant progress mainly in the land acquisition procedure.

The Rodeio Bonito plant generated 21% more power than in 2017, which was a very severe drought year. Power generation remained very moderate due to precipitation levels still below historical average in 2018. At constant foreign exchange rate the turnover, despite the increase in electricity generation, is stable because of the MRE (Energy Reallocation Mechanism) negative impact. In Euro the turnover is down by 17% (EUR 2.6 m in 2018 vs EUR 3.1 m in 2017) due to the depreciation of the Brazilian currency in 2018. The EBITDA is up by 4% (EUR -1.6 m in 2018 vs EUR -1.7 m in 2017).

The Group finalized its exit from Indonesia through the sale of its last advanced hydropower project there, the Redelong HEP (18 MW).

VELCAN HOLDINGS also continued to manage actively its treasury by continuing the diversification of its financial investments portfolio, but it was impacted by the general poor performance of the financial markets. The rise of the USD against the EURO impacted favorably the net result, slightly positive at EUR 0.5 m (vs. EUR -9.6 in 2017).

ELIGIBLE PEA PME

VELCAN Holdings

FINANCIAL YEAR 2018 – MANAGEMENT COMMENTS ON THE BUSINESS

India

The Group continued to develop the hydroelectric concessions obtained in 2007 in the State of Arunachal Pradesh.

Progress has been made towards the acquisition of the land, the procedure of which has passed successfully the preparation of the Social Impact Assessment, the related public hearings, the positive recommendation of the "Expert Group" and finally the official consent of the land owners and village councils to the acquisition of their land, which is a major step for the projects, following which the State Government was bound to issue the Section 11 notification by 27th March 2019 (within 12 months following the Expert Group recommendation). Such notification validates the procedure previous steps (SIA, hearings, etc.), acknowledges the consent of the land owners and approves that the land is to be acquired by the Government for a particular project. However, due to the preparation of local elections during the month of April 2019, and the applicability of the Code of Conduct during such pre-elections period (which prevents the Government from undertaking anything else than day to day current affairs), the State Government has issued in late March 2019 an extension of time until 26th September 2019 for the issuance of the Section 11 notification.

Once section 11 will be issued, the State Government will have to conduct another set of surveys and procedural steps such as detailed and individual census of affected families, marking land boundaries, hearing of individual objections, preparation of Rehabilitation & Resettlement plans (section 19), public hearing on such plans, financial awards (Sections 23 and 31), and the physical possession of the Land (Section 38).

Administrative issues related to Land status are still the most sensitive and significant issues, and keep slowing down the development of the projects. As per the current concession agreement, the acquisition 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 with the Government of Arunachal Pradesh for such an extension of the concession agreement and the update of installed capacities are still opened but have not progressed in 2018.

The timely availability of appropriate road infrastructure is also an important issue that VELCAN HOLDINGS has been attending with the Central Government whenever possible, although no progress has been made by the Government on this side during FY2018. The scheduled dates of completion of the roads upgrade are still scheduled in 2022 and the budgets for speeding the works and bringing such date forward have not yet been sanctioned.

ELIGIBLE PEA PME

However, the new hydropower policy published on 7th March 2019 provides for budgetary support to be granted to hydropower for road infrastructure development, which may help in the future to speed up road works completion (see below).

For a several years, the Indian commercial and financial market conditions have been unfavorable to the sale of hydropower, as the market has remained constrained by the indirect competition of solar and wind tariffs, the bad financial health of electricity distribution companies (DISCOMS), the insufficient regulatory framework not allowing the sale of power through long term bankable PPAs and the heavy exposure of the banking sector to bad infrastructure loans.

The Government of India has however undertaken to reverse the above negative conditions by publishing on 7th March 2019 a new hydropower policy which features the following main measures:

i. All Hydropower Projects, including above 25MW, to be declared as Renewable Energy source;
ii. Hydro Purchase Obligation (HPO) will be imposed on DISCOMS, which means DISCOMS will be obliged to purchase hydropower (Annual HPO targets and necessary amendments will be introduced in the Tariff Regulations, which are yet to be notified);
iii. Tariff rationalization measures including providing flexibility to the developers in order to lower the first years' tariffs. The computation modalities are yet to be determined by the Central Electricity Regulatory Commission (CERC).
iv. Budgetary support to be granted by the Government towards development of roads and bridges on case by case basis, limited to Rs. 15 m (193 kEur) per MW for projects up to 200 MW like Tato-1 HEP and to Rs. 10 m (128 kEur) per MW for projects above 200 MW like Heo HEP.

Although the results will take some time and depend on implementation modalities not yet known, this policy is a significant measure and positive sign towards the recovery of the hydropower market, which could help the development of the Projects.

In terms of long term power demand, even if some states are in power surplus scenario on the short term (1-2 years) they should all be experiencing peak and average deficits at the end of 2022[1]. The demand could even become significantly larger (> 20 GW) if new Ministry Of Environment and Forest norms for coal based power plants are enforced to meet emissions standards and if renewable energy capacities are under achieved. That should leave room for the procurement of hydropower by DISCOMS if a proper regulatory framework is in place.

The Group's team pushes all project activities which are now mainly the post TEC site investigations and studies, the land acquisition, the transport infrastructure, the amendment of the concession agreements, the stage 2 Forest Clearance and the preliminary search for a bankable PPA. However, apart from the site investigations, these requirements are mainly

[1] Source Central Electricity Authority and Electric Power Survey

under the purview and responsibility of the State and Central Governments and the Group scope of work in this regard is to file applications, to attend requests, to provide support to Government services and to follow-up and pursue the procedures. The search for a PPA will be tightly linked to the recovery of the market as explained above.

No additional provision has been decided for FY 2018 (In view of the uncertainties of the Indian market and the delays encountered, the Company had already decided to book a provision in 2017, of EUR 2.2m (16%) on the intangible value of the Indian projects).

Brazil

The production of 49,987MW during 2018 (against 41,321 MWh in 2017, +21%) was moderate due to the rainfall in Rodeio Bonito catchment still well below the historical long term average. This reflects the low precipitation levels in Brazil in 2018.

This resulted in an overall MRE (Ensured Energy Mechanism) in deficit, as it has been the case since 2014, and a negative impact amounting to BRL -1.5m in 2018 (compared to BRL - 4.6m for 2017) for Rodeio Bonito. Translated in Euros, the consumed purchases (Mainly MRE) impacted the annual operational result by EUR 0.4 m in 2018 against EUR 1.3 m in 2017. The operation and maintenance of Rodeio Bonito are satisfactory with a technical availability of 95% for 2018.

Due to these combined effects and the forex variation, the turnover has decreased by 17% when expressed in Euro and was stable when expressed in BRL in 2018 (EUR 2.6m or BRL 11.1m) compared to 2017 (EUR 3.1m or BRL 11.2m).

The EBITDA (earnings before interests, taxes and amortization) of the plant amounted to BRL 7.3m against BRL 4.5m in 2017 and BRL 11.0m in 2016. When converted in EUR, the EBITDA was up to EUR 1.7m vs 1.2m in 2017, mostly due to the lower MRE payments (EUR -0.9 m).

Indonesia

After the Meureubo 2 (59 MW) HEP and the Sukarame (7 MW) SHP were sold in 2017 because of the administrative blockages encountered, including the unavailability of satisfactory PPAs, the Redelong HEP was the last project of the Group in Indonesia. The Group has fully divested the project on 28th June 2018, sold to an Indonesian industrial group. The small size of the Redelong project (18 MW) did not economically justify having operations in the country.

Like other projects of the Group in Indonesia, the Redelong project costs were already fully impaired as of 31st December 2017. The sale price, which is to remain confidential, allowed only a partial recovery of such costs, given the uncertainties affecting the sector in Indonesia.

As of the date of this report, the Company has shut down its entire operations in Indonesia.

VELCAN Holdings

Financial Assets

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 2018, the group main investments have been mainly in corporate bonds again. After an important increase between the beginning of 2016 year when the exposure was EUR 28.9 m and the end of 2017, the exposure has stabilized from 49.9 m at 2017 year end to 50.1 m at 2018 year end. The group is mainly exposed to issuers in the BBB, BB, B and Non Rated categories (as defined by Standard & Poor's). 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 mostly in USD bonds, from issuers coming both from developed markets and emerging markets. At year end the biggest lines (above EUR 2.0 m of exposure) of the Group are with the following issuers : CMA CGM (France), Olam (Singapore), BBVA Bancomer (Mexico), NORDDEUTSCHE LANDESBANK GIROZENTRALE (Germany), TRAFIGURA GROUP PTE LTD (Singapore), UBS AG (Switzerland), COMCEL TRUST (Guatemala), OMAN TELECOMMUNICATIONS LTD (Oman), the republic of Argentina and PUMA INTERNATIONAL FINANCING SA (Singapore). These bond investments had performed very well in 2017 at constant exchange rates but the Group suffered from the US dollar weakening. In 2018 the performance has been negative, although less so than the market, but the US dollar strengthening has compensated the losses. The Group has invested in bonds since 2008 and it has proved a good way to enhance the profits of the Group so far. 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.

As of 31st December 2018, the Group also owns private investments worth EUR 4.6m including private equity (EUR 1.3m) and direct lending (EUR 3.3m).

Most of the Private equity and direct lending investment are invested in the shipping sector. Given the recent poor performance of this sector these investments have contributed negatively to the performance of the Group between 2016 and 2018. The Group is actively monitoring these investments in the shipping sector to try to maximize their value.

As of 31st December 2018, the Group had investments worth EUR 2.3 m in listed equities, EUR 2.5 m in equity 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. The Group has increased its position in hedge funds up to EUR 7.9 m against EUR 2.5 m in 2017.

As of 31st December the Group financial assets were mostly exposed to the US Dollars.

Finally a significant part of the treasury of the Group was kept in cash or cash equivalents (EUR 30.4m equivalent). Starting from a very low base, the recent increase in US Treasury rates means these deposits now provide some marginal income.

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 2019:

- Pursuing the development of the Indian hydropower projects;
- Continue the diversification of its financial investments;

FINANCIAL YEAR 2018 – MANAGEMENT COMMENTS ON THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Income Statement (unaudited consolidated)

Turnover amounted to EUR 2.6m (against EUR 3.1m in 2017, a 17% decrease), mainly from electricity sales. The turnover in local currency remained stable. The depreciation of the Brazilian currency vs the Euro currency was responsible for such decrease.

Current operating result amounted to EUR -2.8m (against -7.8m 2017):

- Payments by Velcan for the MRE (Energy Reallocation Mechanism) were EUR 0.4m in 2018 vs. EUR 1.3m in 2017 because of better precipitations and hydropower plant operators' protection in Brazil.

- Depreciation and amortization of tangible and intangible assets of Rodeio Bonito plant amounted to EUR 0.7m (EUR 0.8m in 2017), while depreciation on intangible projects under development was NIL vs an amount of EUR 2.3m, mainly on Indian projects, in 2017.

- Staff expenses amounted to EUR 2.9m in 2018 vs EUR 4.5m in 2017[2].

- External expenses are totaling EUR 1.5m in 2018 vs EUR 2.0m in 2017.

Net Financial Gain for the group amounted to EUR 3.1m in 2018 mostly because of the USD appreciation (4.4% compared to end of 2017) and its impact on the Group's cash and financial

[2] the 2017 increase was due to the impact of an allocation of free shares to the benefit of the management and the employees of the Group. Simultaneously equity warrants and stock options were cancelled. The allocation had no impact on cash and on equity

assets position despite poor financial performance on the Group's investments excluding forex. This gain of 3.1m compares to EUR -4.2m in 2017.

In 2018 and 2017, other operating income consisted mainly of divestment gains on Indonesian assets while the costs were fully impaired (EUR 0.5m of gain in 2018 vs EUR 3.0m in 2017 when other Indonesian assets, Sukarame and Meureubo 2 projects had been divested).

Income tax expense amounted to EUR -0.2m in 2018 vs EUR -0.6m in 2017 (where the Group suffered deferred tax depreciation).

The net result, Group share, was EUR 0.6m in 2018 FY compared to EUR -9.6m in 2017 FY.

The Group's EBITDA (earnings before interests, taxes, depreciation and amortization) reached EUR -1.6m compared to EUR -1.7m in 2017.

The depreciation of BRL and INR (Indian Currency) rates when compared to Euro, at 2018 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 -1.7m in 2018 against EUR -3.4m in 2017). The total comprehensive income amounts to EUR -1.2m in 2018 against EUR -13.0m in 2017.

Balance sheet – Assets (unaudited consolidated)

Net intangible assets stands at 13.6m in 2018 and are down by EUR 0.2m versus 2017 because of INR and BRL currencies depreciation vs Euro during the year.

Net tangible assets stands at 8.7m in 2018 and decreased by EUR 1.6m between 2017 and 2018, mainly because of depreciation of the Rodeio Bonito hydropower plant (EUR -0.6m) and because the plant being booked in BRL currency, foreign exchange impact on retranslation of the Rodeio Bonito power plant resulted in a EUR -1.0m loss (EUR -1.7m loss for 2016 FY).

Cash, cash equivalent assets and financial assets have decreased from EUR 101m in 2018 to EUR 98m in 2017 (-3%) mainly because of share buyback programs.

Financial assets are mainly consisting in listed bonds and equities.

Finally total assets decreased by 4% during 2017 FY (down by EUR 5.0 m).

Balance sheet – Liabilities (unaudited consolidated)

Non-current provisions amount to EUR 0.8m at 31 December 2018 and arise from litigations related to the 2 biomass plants previously owned by the Group (Satyamaharshi SMPCL – 7.5 MW and Rithwik RPPL – 7.5 MW, owned between 2006 and 2010). The existing provision represents the major part of the claims.

Own shares, booked directly against Equity of the Group at their historical cost, reduce the net shareholder's equity of the Group by EUR -3.9m versus EUR -3.2m at 31st December 2017 following the own shares held at opening (379,332 shares), the share buyback programs (323,475 repurchased and cancelled in 2018 first semester and 94 793 repurchased and not yet cancelled as of December 31st 2018) and the use of 5,263 shares for free shares allocations.

As at 31st December 2018, unrealized losses on conversion reserves, booked directly against Equity amounted to EUR -9.5m versus an unrealized loss of EUR -7.8m at 31st December 2017, mainly because of the BRL depreciation (see above comment on comprehensive income).

With a consolidated equity of EUR 118.2m (-EUR 4.6m compared to 2017), the Group still has no significant debt as of 31st December 2018. Various provisions, payables and financial instrument liabilities amount to EUR 2.4m (vs EUR 2.9m 2017).

The full annual report 2018 is available at:
http://www.velcan.lu/investors/reports-accounts/

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Balance Sheet - Unaudited

ASSETS (EUR '000)	2018	2017
NON-CURRENT ASSETS	**25 872**	**29 413**
Intangible Assets	13 630	13 862
Tangible Assets[3]	8 674	10 315
Non-Current Financial Assets	3 567	5 236
Other Non-Current Assets	-	-
CURRENT ASSETS	**94 776**	**96 282**
Current Financial Assets	63 839	57 869
Cash and Cash Equivalents	30 383	37 536
Other Current Assets	554	877
TOTAL ASSETS	**120 647**	**125 694**

[3] Almost exclusively constituted of the Rodeio Bonito Hydro Power Plant asset

LIABILITIES (EUR '000)	2018	2017
Equity (Group Share)	118 213	122 770
Minority interests	8	21
TOTAL EQUITY	**118 220**	**122 790**
NON-CURRENT LIABILITIES	**1844**	**1876**
CURRENT LIABILITIES	**583**	**1 028**
Bank Debt	-	-
TOTAL LIABILITIES	**120 647**	**125 694**

Income Statement (EUR '000) - Unaudited

	2018	2017
Revenues	**2 580**	**3 112**
Operating expenses	(4 727)	(7 768)
Amortizations, depreciations and Provisions	(696)	(3 135)
Ordinary Operating Result	**(2 843)**	**(7 791)**
Other operating Income	514	2 960
Operating Result	**(2 329)**	**(4 831)**
Net Financial Income (Loss)	**3 071**	**(4 159)**
Tax Income (Expense)	**(203)**	**(576)**
Income – Minority Share	**(12)**	**55**
Net Income – Group Share	**552**	**(9 621)**
EBITDA	**(1 633)**	**(1 696)**

➔ Audited statutory statements next page

VELCAN Holdings

SUMMARY AUDITED STATUTORY FINANCIAL STATEMENTS (Lux Gaap)

Balance Sheet

ASSETS (EUR '000)	2018	2017
FIXED ASSETS	**150 734**	**151 945**
CURRENT ASSETS	**3 255**	**1 782**
Debtors & prepayments	189	359
Investments[4]	2 021	0
Cash at bank and in hands	1 045	1 423
TOTAL ASSETS	**153 988**	**153 727**

LIABILITIES (EUR '000)	2018	2017
CAPITAL AND RESERVES	**122 099**	**125 858**
PROVISIONS	**5**	**5**
CURRENT LIABILITIES	**583**	**1 028**
Creditors	31 885	27 865
TOTAL LIABILITIES	**153 988**	**153 727**

Income Statement (EUR '000)

	2018	2017
Gross profit or loss	**544**	**(3 184)**
Value adjustments	(90)	(2 520)
Income from other investments & loans forming part of the fixed assets	543	2 014
Other interest receivable and similar income	1	91
Value adjustments in respect of financial assets and of investments held as current assets	(536)	1 091
Interest payable and other similar expenses	(1 230)	(2 039)
Other taxes	(5)	(3)
Profit or Loss for the financial year	**(772)**	**(4 549)**

[4] Own Shares

ELIGIBLE PEA PME

* * *

Investor Relations Contact investor@velcan.lu

About Velcan:

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

The company owns and operates a 15MW hydro power plant in Brazil that it developed and built in 2009. The company is developing a major cascade of hydropower concessions located in India and totalling 571 MW.

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 Holdings actively manages its treasury, investing in listed and unlisted financial instruments.

Velcan Holdings' headquarters are in Luxembourg, with administrative and financial offices in Singapore and Mauritius. The team dedicated to the development of the Indian hydropower cascade is based in New Delhi and at the project site (Arunachal Pradesh). The team dedicated to the Rodeio Bonito plant is based in Sao Paulo and Chapeco (Santa Catarina State).

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

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

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