

PRESS RELEASE

Luxembourg, 31st October 2019

VELCAN HOLDINGS: HALF YEARLY RESULTS (CONSOLIDATED AND UNAUDITED)

	<u>30.06.2019</u>	<u>30.06.2018</u>	Var %
Turnover (Million Euros)	1.4	1.2	+9%
EBITDA (Million Euros)	-0.6	-0.4	-57%
Net Result (Million Euros)	3.6	1.2	+186%
	<u>30.06.2019</u>	<u>31.12.2018</u>	Var %
Cash and Financial assets (Million Euros)	101	98	+3%
Market Capitalization (Million Euros)	50	46	+8%
Consolidated Equity (Million Euros)	121	118	+3%
Net Outstanding Shares (Thousands) (Issued shares less treasury shares)	5,691	5,813	-2%

Note: half yearly data are not audited

Brief comments on 2019 first half

- The Group continued to concentrate its efforts on the development of its large hydroelectric projects in India. The hydroelectric tandem of Heo-Tato-1HEP (426 MW) has reached an advanced stage and the team has continued to push all ongoing projects activities such as the land acquisition procedure, the forest clearance, the concession agreement amendment or the road infrastructures. The land acquisition procedure progressed well with the obtaining in March 2019 of the formal consent of the land owners to the acquisition of their land (which however does not settle yet the ownership disputes), leading to the issuance of the “*Section 11*” notification in September 2019. It is a major milestone which marks the State Government decision to acquire the required land (totaling 107.20 Ha) for public purpose, based on the successful completion of the first phase of the acquisition procedure.

During the period, the commercial and financial hydropower market conditions have remained constrained by the lack of proper regulatory framework for the sale of hydropower through long term bankable PPAs, the stressed financial position of electricity distribution companies (DISCOMS), the heavy exposure of the banking sector to bad infrastructure loans and the indirect competition of solar and wind tariffs. The Government of India has undertaken to reverse the above negative market scenario by publishing on the 7th March 2019 a new hydropower policy which features such main measures as a Hydro Purchase Obligation (HPO) to be imposed on



distribution companies or plans to reduce the hydropower tariff in the first years of the PPA to make it more attractive to power purchasers. In principle the above new policy is a good news, and it marks a long awaited shift in the Government of India policy towards establishing a regulatory framework facilitating the signing of long term PPAs and supporting hydropower development. The details and implementation modalities remain to be seen and the Company is following up closely the evolution of this new framework.

The Group's team pushes all project activities including by assisting the Government for those activities which are not its direct responsibility and by providing support to Government entities whenever possible. The dedicated local team presence on the field, coordination of activities involving the local people and government services, logistical support and CSR activities are enabling the project to progress but as always the pace of progress is limited by how quickly the local people negotiate and accept the changes that the projects will bring.

Although the Group continues to see long term promising prospects in the Indian electricity market, the Group is not in a position to assess the timeframe and the scale of the various delays which are or will be encountered. The complete H1 report available on the company's website details all activities undertaken.

- Velcan Holdings' turnover in the first half of 2019 (H1 2019) amounted to EUR 1.4m arising from sales of electricity by the Rodeio Bonito Hydro Power Plant (HPP) in Brazil. Due to better precipitation levels the electricity generation increased and the turnover was up by 9% when expressed in Euros and by 15% when expressed in BRL relative to H1 2018.
- As the MRE (Energy Reallocation Mechanism) was not in deficit¹ during the period, reflecting the overall power generation in Brazil, there were no MRE payments. Hence there were no consumed purchases in Brazil during H12019, compared to EUR -0.1m during H1 2018.
- Other operating income amounted to EUR 0 m for H1 2019 vs EUR 0.5m in H1 2018 where it mostly related to the sale of a hydro asset in Indonesia. As a result, operating result was lower (EUR -1.2m) compared to H1 2018 (EUR -0.8m).
- Net financial income for H1 2019 was EUR 4.9m vs. EUR 2.1m in H1 2018 mainly due to the performance of the Group's financial assets and to the appreciation of the US dollar vs the Euro as most of the Group's financial investments and cash are invested in US dollar. The FX realized and unrealized gain was EUR 0.5m vs EUR 1.8m in H1 2018, while the financial gain excluding FX was EUR 4.3m against EUR 0.3m in H1 2018. As detailed in the complete H12019 report, the majority of the financial assets of the Group are Bonds.
- Net result, Group share, was therefore a gain of EUR 3.6m vs. a gain of EUR 1.3m in H1 2018.

¹ The MRE is a mutual mechanism of guaranteed energy which covers to hydrological risk for hydropower. It functions at national scale, even if the production is impacted by a bad hydrology some years, but requires payments from producers in case of national scale draught leading to a MRE deficit, as experienced in the recent past years.

- Group other comprehensive income amounts to EUR 0.4m in H1 2019 vs -2.0 m in H1 2018, mostly due to the depreciation of the Euro compared to the Brazilian currency (-2%) and the Indian Rupee (-2%) and its impact on the Group conversion reserves where the assets held in foreign currency in Brazil (Rodeio Bonito) and India are translated into Euro. The Group total comprehensive income for H1 2019 amounts to EUR 3.9m.
- Shareholders equity amounts to EUR 121.3m as of 30th June 2019 vs. EUR 118.2m as of 31st December 2018 (EUR +3.1 m) mostly due to the positive comprehensive income during H1 2019 (EUR 3.9 m), the acquisition of own shares (EUR -1.3 m of negative impact on the shareholders equity) and the distribution of free shares to employees (EUR +0.4 m of positive impact on the shareholders equity).
- The Company has conducted a share buyback program between the 13th September 2018 and the 15th May 2019 during which it has completed the purchase of 254,128 shares, at a weighted average price of EUR 7.92 per share and for a total amount of EUR 2,011,551 in accordance with the description of the share buyback program published on September 13th, 2018 and the resolutions of the General Meetings of Shareholders held on June 28th, 2017 and July 28th, 2017. 159,335 shares were acquired during H1 2019 out of the 254,128 shares. All the 254,128 shares bought back were cancelled accordingly on 8th August 2019 through a capital decrease.
- The number of 590,997 Treasury shares as of 30th June 2019 has increased as compared to 31st December 2018 (468,862 own shares) due to the above mentioned program and despite the distribution of 37 200 shares to employees. The net number of outstanding shares as of 30th June 2019 is 5,690,970. However, 451.147 treasury shares were cancelled in August 2019 (see “important events since June 30th 2019”).

The complete half yearly report 2019, including the condensed and non-audited financial statements as of 30th June 2019 are available online at <http://www.velcan.lu/investors/reports-accounts/>

Significant events since 30th June 2019

- Cancellation of 451,147 treasury shares,

On 8th August 2019 the Company has cancelled 451,147 treasury shares, out of which 254,128 were bought during the buyback program closed on 15th May 2019 and 197 019 shares were previously held by the Group. As a result the share capital was reduced from 6,281,967 Euros divided into 6,281,967 shares of 1 Euro each to 5,830,820 Euros divided into 5,830,820 shares of 1 Euro each. Following this capital reduction, the Company holds 139,850 treasury shares which are kept for free share plans allocations.

- Completion of the first phase of the land acquisition procedure of the Indian Hydropower Projects,

As announced by the press release dated 8th April 2019, the first phase of the land acquisition procedure was extended by 6 months, up to the deadline of 26th September 2019, to issue the “Section

11 preliminary notification” under the regulations applicable to the Heo-Tato1 hydropower tandem project (426 MW).

Such notification was duly executed by the State Government on 26th September 2019. It is the act by which the State Government decides to acquire the required land (totaling 107.20 Ha) for public purpose, based on the successful completion of the first phase of the acquisition procedure. It prevents any other land related transaction to take place and triggers the next steps of the procedure.

The completion of this phase, especially obtaining the land owners’ consent, is a major milestone in the land acquisition procedure, although it does not yet resolve the land registry disputes. At a later stage, the settlement of these disputes will be necessary to determine the sharing of the financial compensations between land owners.

The State Government will now have to initiate another set of surveys and complex procedural steps such as notably a detailed and individual census of affected families, the marking of land boundaries, the hearing of individual objections, the preparation and publication of Rehabilitation & Resettlement plans (Section 19), the public hearings on such plans, the issuance of financial awards (Sections 23 and 31) and the physical possession of the Land (Section 38).

* * *

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

Disclaimer

This press release contains prospective information about the potential of the projects in progress and/or of the projects of which the development has begun. This information constitutes objectives attached to projects and shall not be construed as direct or indirect net income forecast of the concerned year. Reader's attention is also drawn on the fact that the performance of these objectives depends on future circumstances and that it could be affected and/or delayed by risks, known or unknown, uncertainties, and various factors of any nature, notably related to economic, commercial or regulatory conjuncture, which occurrence could be likely to have a negative impact on future activity and performances of the Group.

This announcement does not constitute a public offering ("offre au public") nor an invitation to the public or to any qualified investor in connection with any offering. This announcement is not an offer of securities in the United States of America or in any other jurisdiction/country.

