Consolidated Financial Statements as of 31 December 2012

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Contents

CONSOLIDATED BALANCE SHEET ASSETS 3

CONSOLIDATED BALANCE SHEET LIABILITIES 4

CONSOLIDATED INCOME STATEMENT 5

CONSOLIDATED CASH FLOW STATEMENTS 6

APPENDIX 8

1. ABOUT THE GROUP 8

2. SIGNIFICANT EVENTS OF THE PERIOD 8

3. ACCOUNTING POLICIES, BASIS OF CONSOLIDATION, VALUATION METHODS 11

4. CHANGE IN BASE OF CONSOLIDATION 21

5. CURRENCY RATES 24

6. NOTES ON THE BALANCE SHEET AND INCOME STATEMENT 24

CONSOLIDATED BALANCE SHEET ASSETS

(in thousands of Euros)

Assets	Note	Net 31.12.2012	Net 31.12.2011
Non current assets			
Goodwill	1 p.24	14	14
Intangible assets	2 p.25	16 094	14 805
Tangible assets	3 p.26	19 698	23 167
Non current financial assets	4 p.27	2 209	1 641
Investments accounted for using the equity method		-	-
Other non current assets	5 p.27	201	246
Deferred tax assets	6 p.28	941	708
Total non-current assets		**39 158**	**40 581**
Current assets			
Inventories		-	-
Trade and other receivables	7 p.29	376	1 080
Income tax receivables		255	295
Other current assets	8 p.29	796	1 034
Cash and cash equivalents	9 p.30	90 901	97 066
Total current assets		**92 328**	**99 476**
Total assets		**131 486**	**140 056**

CONSOLIDATED BALANCE SHEET LIABILITIES

(in thousands of Euros)

Liabilities	Note	31.12.2012	31.12.2011
Shareholders equity			
Issued capital	10 p.30	7 780	7 780
Additional paid in capital		139 575	139 408
Other reserves and conversion reserves	10 p.31	(22 822)	(11 341)
Net income for the year		4 290	(3 144)
Total shareholders equity		**128 822**	**132 702**
Minority interests		74	(235)
Total Consolidated equity		**128 896**	**132 467**
Non current liabilities			
Non-current financial liabilities		0	1
Deferred tax liabilities	6 p.28	-	303
Non current provisions	11 p.32	910	1 871
Other non current liabilities		645	935
Total non-current liabilities		**1 556**	**3 110**
Current liabilities			
Current financial liabilities	9 p.30	0	1 119
Current provisions	11 p.32	-	25
Trade and other payables	12 p.33	613	2 341
Income tax payables		96	111
Other current liabilities	13 p.33	325	883
Total Current Liabilities		**1 033**	**4 479**
Total Liabilities		**131 486**	**140 056**

CONSOLIDATED INCOME STATEMENT

(in thousands of Euros)

Result	Note	31.12.2012	31.12.2011
Net turnover	14 p.34	4 879	5 417
Other operating revenue		29	(27)
Total operating revenue		**4 907**	**5 390**
Consumed purchases	15 p.34	(420)	(784)
Changes in inventories			
External expenses	16 p.34	(2 466)	(2 838)
Payroll expenses	17 p.35	(1 555)	(1 442)
Taxes		(167)	(221)
Amortization & Provision	18 p.35	(2 549)	(6 440)
Current operating profit	14 p.34	**(2 250)**	**(6 335)**
Income on sale of equity shares			
Other operating income and expenses	19 p.35	1 510	(807)
Operating profit		**(740)**	**(7 141)**
Financial Income	20 p.36	6 995	9 284
Financial expenses	20 p.36	(2 190)	(5 452)
Financial Result	20 p.36	**4 805**	**3 831**
Income tax	6 p.28	194	208
Profit of investments accounted for using the equity method		-	-
Net profit from continuing operations		**4 260**	**(3 102)**
Net profit from discontinuing operations		**-**	**-**
Profit, group share		**4 290**	**(3 144)**
Profit, minorities share		**(30)**	**42**
Earnings per share (in euros)	21 p.36	0,69	(0,49)
Diluted earnings per share (en euros)	21 p.36	0,68	(0,49)

Statement of total comprehensive Income	31.12.2012	31.12.2011
Net income	4 290	(3 144)
Foreign currency translation comprehensive income	(4 407)	(2 875)
Total Comprehensive Income	**(117)**	**(6 019)**

Besides, EBITDA (Earnings Before Interest Taxes, Depreciation and Amortization) of the Group has been positive during this financial year and amounts to +299 k€ as of 31 December 2012 against 105 k€ as of 31 December 2011.

CONSOLIDATED CASH FLOW STATEMENTS

(in thousands of Euros)

Cash Flows		31.12.2012	31.12.2011
Net consolidated profit		**4 260**	**(3 102)**
Adjustments:			
Elimination of profit of investment accounted for using the equity method		-	-
Elimination of amortization and provisions	18 p.35	2 549	6 869
Elimination of other elements with no impact on cash flows	19&20 p.35	(869)	(275)
Elimination of income from disposals		8	702
Expenses and income calculated for payment in shares		-	369
Cash flow after net cost of financial debt and tax		**5 948**	**4 563**
Elimination of deferred tax	6 p.28	(537)	(639)
Elimination of net cost of financial debt	20 p.36	(4 805)	(3 832)
Cash Flow before net cost of financial debt and tax		**606**	**92**
Impact of variation of operating working capital	19 p.35	(1 599)	(163)
Cash flows from operating activities		**(994)**	**(72)**
Changes in consolidation scope effects		0	(187)
Acquisition of tangible and intangible assets	2&3 p.25	(5 140)	(5 293)
Acquisition of financial assets		37	(1)
Variation of loans and advances granted		(133)	28
Disposal of tangible and intangible assets	19 p.35	73	363
Disposal of financial assets		22	11
Cash flows from investment operations		**(5 143)**	**(5 079)**
Capital increase		1	47
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Net acquisition of own shares	10 p.30	(3 744)	0
Net financial interest (excl. Prov. allowances and Write B. on fin. assets)	20 p.36	4 805	3 832
Dividends paid to shareholders of the group		-	(641)
Cash flows from financing operations		**1 063**	**3 238**
Net foreign currency translation differences		**(1 090)**	**855**
Net cash flow variation		**(6 164)**	**(1 058)**
Net opening cash		97 065	98 124
Net closing cash		90 901	97 066

The group has currently no loans, hence there are no interests paid in 2012.
Tax paid regarding the fiscal year 2012 amounts to 406 k€.
Other items not affecting cash flow are mainly eliminations of currency effects on forward exchange contracts ongoing at opening and closing (without impact on cash flow, see note 9).

STATEMENT OF CHANGES IN EQUITY

(in thousands of Euros)

	Capital	Additional paid in capital	Own Shares	Foreign currency translation reserves	Reserves & consolidated net income	Total Group interest	Minority interests	Total Equity
Situation at 01.01.2011	**7 774**	**139 366**	**(11 113)**	**5 012**	**(2 099)**	**138 940**	**(289)**	**138 651**
Net income	-	-	-	-	(3 144)	**(3 144)**	42	(3 102)
Other comprehensive income	-	-	-	(2 875)	-	**(2 875)**	12	(2 862)
Total comprehensive income	-	-	-	(2 875)	(3 144)	**(6 019)**	54	(5 965)
Distribution of dividends	-	-	-	-	(641)	**(641)**	-	(641)
Stock-Options exercised	5	42	-	-	-	**47**	-	47
Fair value of Stock-Options	-	-	-	-	369	**369**	-	369
Own Shares acquisition	-	-	-	-	-	-	-	-
Share capital increases subscribed by noncontrolling interests	-	-	-	-	-	-	-	-
Other (1)	-	-	-	-	6	**6**	-	6
Situation at 31.12.2011	**7 779**	**139 408**	**(11 113)**	**2 138**	**(5 510)**	**132 702**	**(235)**	**132 467**
Situation at 01.01.2012	**7 779**	**139 408**	**(11 113)**	**2 138**	**(5 510)**	**132 702**	**(235)**	**132 467**
Net income	-	-	-	-	4 290	**4 290**	(30)	4 259
Other comprehensive income	-	-	-	(4 407)	-	**(4 407)**	(4)	(4 411)
Total comprehensive income	-	-	-	(4 407)	4 290	**(117)**	(34)	(152)
Distribution of dividends	-	-	-	-	-	-	-	-
Stock-Options exercised	0	1	-	-	-	**1**	-	1
Fair value of Stock-Options	-	-	-	-	49	**49**	-	49
Own Shares acquisition	-	-	(3 744)	-	-	**(3 744)**	-	(3 744)
Share capital increases subscribed by noncontrolling interests	-	-	-	-	-	-	108	108
Other (1)	-	166	-	-	(235)	**(69)**	235	166
Situation at 31.12.2012	**7 780**	**139 575**	**(14 857)**	**(2 269)**	**(1 406)**	**128 822**	**74**	**128 896**

(1) The line « Other » consists of 166 k€ of regularization of Alternext market transfer fees overestimated and 235 k€ of negative minority interests cancelled and absorbed by the Groupe following the change in perimeter of Rodeio Bonito (100% now compared to 95% last year)

APPENDIX

1. ABOUT THE GROUP

Velcan Energy SA was incorporated on 8 April 2005. Its aim is the ownership and development of hydro power concessions.

The Velcan Energy group devises, develops, implements, finances and operates hydropower concessions in emerging markets. Hydro power is a conventional source of electricity production. It is currently the one and only low cost renewable power source. In many cases it can compete with coal power generation. Its power generation installations and projects which are subject to a pre-concession or an exclusive concession are currently based in India, Brazil and Laos. Other projects, currently on an advanced prospection stage, are located in Indonesia.

These countries suffer from serious deficit in electricity generation, particularly India where an estimated 650 million people do not have regular access to electricity.

In order to mitigate the capacity shortage, both Indian and Brazilian national governments were led to liberalize the state controlled electricity market, allowing increasing private and foreign competition. Besides, Laos has a strategic position in South-East Asia, and can export to high power-demand developing countries such as Thailand, Vietnam, Cambodia and China. These countries have huge untapped hydroelectric potential: India with estimated 100,000 MW, Brazil with estimated 190,000 MW and Laos with estimated 20,000 MW.

The Group's goal is to become a market leader in medium size (up to 200 MW) hydro power concessions in India, Brazil, Lao and Indonesia.

As of 31/12/2012, Velcan Energy:

- Has built and operates its first hydro power plant in Brazil (15 MW)
- Owns the rights to more than 600 MW of concessions and projects in India, Brazil and Laos (group share)
- Has an agreement with Laos government in order to co-develop 300 MW in Laos
- Is prospecting Indonesia on an advanced stage

Velcan Energy's technical team is composed of industry veterans and is one of the most experienced in the construction and operation of hydroelectric plants worldwide.

Velcan Energy employs over 50 people, divided between its main offices (New Delhi, Paris, Vientiane, Jakarta et Sao Paulo) and on its various concession sites.

Velcan Energy is listed on the Paris Stock Exchange (Nyse Euronext-Alternext ALVEL-FR0010245803). The company has never made a public offering according to the sense given in the French financial and monetary Code.

2. SIGNIFICANT EVENTS OF THE PERIOD

2-1 Financial events

The revenue of the group, amounting to 4.9 m€ is mostly composed of electricity sales in Brazil coming from Rodeio Bonito power plant.

Financial income amounted to 4.7 m€ in 2012, out of which 4.2 m€ excluding forex impact, decreasing compared to 2011 due to the sale of Brazilian government bonds.

The Foreign currency translation reserves include the unrealized currency exchange fluctuations on long term loans in foreign currency granted to the Group's subsidiaries including Brazilian entities. The depreciation trend of the Real has had a negative impact on the period. As of December 2012, the unrealized loss linked to foreign currency translation reserves, charged on the Group's equity, amounts to 2.1 m€, against an unrealized gain of 2.1 m€ as of December 2011.

Operational costs are slightly lower than in 2011. Depreciation of tangible and intangible assets related to Rodeio Bonito power plant amounted to € 1.3 m.

The litigation with the former developers of Rodeio Bonito concession was resolved in February 2012. The 900k€ provision was reversed, impacting positively the Group's operating profit; both parties agreed on payment of a complement on concession price of 1.5mBRL, in exchange of the minority shareholders waiving to become a 5% shareholder of the company.

2-2 Business Activities

The Financial year 2012 was marked by significant advance in the new prospection of concessions in Indonesia. Several projects, amounting approximately to 100 MW (capacity depending on the outcome of ongoing studies), have reached an advanced studying stage, which allows to foresee the start of the construction of a small project on late 2013 or early 2014. The complex and heterogeneous process of projects development in Indonesia allows to speak of concession only when the electricity sales contract is signed with the producer - national public distributor PLN. Therefore, these 100 MW have not yet been included in the portfolio of concessions, which remains stable at 628 MW in 2012.

In India, the Group has continued to work on the development of its projects obtained in 2007, a cascade of three projects amounting to 500 MW (571 MW subject to the revision of the concession agreement).

The techno-economic studies of 2 of the 3 projects, amounting to 426 MW, have been finalized, and already allow confirmation of a power production potential at a competitive price. Environmental studies have been completed and submitted to the licensing Government.

The delay in the completion of studies and in obtaining authorizations is essentially due to land disputes that disrupt, slow down or block, on site, accesses to the sites and completion of additional geological investigations required by the central authorities. Velcan Energy is not involved in such land disputes, nor any land negotiation , since the acquisition rate per hectare is fixed by the government and the disputes happen between the local affected people themselves.
The process of land acquisition and disputes settlement is the responsibility of the licensing Government. The Group remains optimistic concerning the settlement of such disputes. The concession contract includes an automatic extension of the length of the development period in case of any delay which is not the responsibility of the developer.

Today, unless mistaken, Velcan Energy is one of the few foreign companies which have developed such significant hydroelectric concessions in India (amounting to more than 500 MW).

In Laos, the Group has pursued the investigations and the development of the Nam Phouan project (25MW), obtained in 2010, and Nam Ang Tabeng project (35 MW), obtained in 2011, in partnership with the ECI - Electrical Construction and Installation.

The Nam Phouan techno-economic studies have been completed and submitted for 53 MW to the Government for review and agreement in December 2012. The 28 MW capacity increase presented in the report has not been included in the portfolio as the governmental agreement process should last six months from the date of submission. The studies confirm feasibility and economic viability of the project. The Group aims to start construction in 2014.

The Nam Ang Tabeng techno-economic studies are currently near completion, offset about 6 months compared to the Nam Phouan project. The Group also expects positive conclusions and submission to the Government in July 2013.

In Brazil, the Rodeio Bonito (Brazil, 15 MW) plant ran correctly with no major issues, operational and financial performance have been satisfying, generating an EBITDA of € 3.5 m. The mechanism of "Insured Energy" enabled to maintain the turnover despite a particularly dry year.
The Group has not noted any significant progress on the administrative procedures to get authorization and licenses required for the development of its 3 other ongoing Brazilian projects, which are fully provisioned.

At the end of the year 2012, the Brazilian portfolio comprises a total of 58 MW, including 15 MW under operation and 53 MW of concessions and exclusive rights, the same as in 2011. The Group doesn’t prospect any new projects in Brazil any longer.

3. ACCOUNTING POLICIES, BASIS OF CONSOLIDATION, VALUATION METHODS

3-1 General

The consolidated financial statements as of 31 December 2012 present the position of Velcan Energy and its subsidiaries (referred to hereinafter as “the Group”).

The Board of Directors finalised the summary of consolidated accounts as of 31 December 2012 on April 10th, 2013, and approved the publication of the consolidated financial statements as of 31 December 2012.

3-2 Compliance with accounting standards

As per application of regulation no. 1126/2008 of the European Council, agreed on 3 November 3rd, 2008, the Velcan group has established its consolidated accounts in conformity with the international norms for financial information or “International Financial Reporting Standards” (IFRS), as agreed by the European Union at the date of preparation of financial statements.

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.

New norms published and applicable on a mandatory basis in 2012 are:

Amendment to IFRS 7 – *Financial Instruments: Disclosures - Transfers of Financial Assets*

These amendments and interpretations did not have a significant impact on the 2012 Group financial statements.

Norms, Amendments to norms and interpretations, adopted and applicable but not yet mandatory on the 2012 accounts have not been adopted by the Group and especially:

AMENDMENTS to IAS 19 – Employee Benefits: mandatory on 2013 accounts.

3-3 Presentation of consolidated financial statements

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

A) Change in accounting policies

The consolidated accounts as of 31 December 2012 are showing no changes in accounting policies.

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

Assets and liabilities are reported as “current” according to the following principles:

Current assets must 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 sale 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".

C) "Current operating profit" and "Other operating income and expenses"

The income statement is presented per type, according to the choice offered by the CNC[1] recommendation of 27 October 2004.

This presentation shows a "current operating profit" which corresponds to profit before:

- income on disposal of equity shares;
- goodwill depreciation (following impairment test);
- 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;
- net cost of debt;
- other financial income and expenses,
- current and deferred taxation,
- profit of investments accounted for using the equity method,
- profit from discontinuing operations.

3-4 Basis of consolidation

A) Integration policies

The consolidated financial statements include the financial statements of the parent company and the companies controlled by it.

Control is presumed to exist when the parent company holds, directly or indirectly through subsidiaries, more than half of the voting rights of an entity.

Control also exists when the parent company holding half or less than half of the voting rights of an entity has power:

- over more than half of the voting rights in accordance with an agreement with other investors;
- to govern the financial and operating policies of the entity in accordance with a regulation or a contract;
- to appoint or dismiss the majority of the members of the board of directors or the equivalent management body if the entity is controlled by this board or this body;

[1] Conseil National de Comptabilite – French accounting council

- to bring together the majority of votes at meetings of the board of directors or equivalent management body, if the entity is controlled by this board or this body.

The Group used 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.

The Group considers that internal margins on project management services carried out for subsidiaries are not material.

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 realised prior to the date of transfer of control in accordance with IFRS 5.

D) Translation of financial statements and accounts in foreign currencies

Each entity of the Group determines its own operating currency and the elements included in the financial statements of each entity are measured using this operating 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 5.

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 posted to 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 are impacting 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 planified nor likely in a foreseeable future, are booked in foreign currency translation reserve in the Group's equity and do not impact the net result, according to the provisions of IAS 21 norm's following paragraph « net investment in a foreign operation ».

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 §3.5 B and 3.5 E below) and projections enabling the use of tax losses carried forward.

3-5 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 equal to the difference between the purchase cost of shares plus associated external costs and the fair value of the share of assets and liabilities purchased.

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 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 intangible asset to assets 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

Projects must have an individual basis and show serious chances of technical success and commercial profitability.

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 must start 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. Nevertheless, the total amortization applied must not be less than the total that would have been obtained by the straight-line method.

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 plants.

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.

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, 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 indication of impairment, these being reviewed at the end of each financial year.

- Tangible 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 and its value in use determined by estimating the future cash flows generated by the asset.

- Intangible assets with an indefinite life: they are subject to an impairment test at the level of the group 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. Impairment is recognized in income.

- 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. Impairment is recognized in income when it is established that it is long-term.

- financial assets held for trading

These are financial assets held by the company mainly for the purpose of selling in the short-term. They are measured at fair value, fair value changes being recognized in income. 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.

Investments in shares represent the Group’s interests in the capital of non-consolidated companies. They are maintained at their purchase price which the Group considers represents their fair value, in the absence of an active market. If there is a long-term drop in their value in use, impairment is recognized in income statement. Value in use is determined according to the financial criteria most appropriate to the particular position of each company. The criteria generally used are: share of equity capital held, change in main multiples of aggregates and prospects of profitability.

Investment securities include the shares the Group intends to keep for the long-term. These securities are measured at fair value. Fair value changes are recognized directly in Equity. The amounts thus recognized in Equity are transferred to income when the financial assets are sold. Unrealized losses recognized in Equity are recognized in income when the impairment becomes long-term.

G) Cash and cash equivalent

Cash (as shown in Cash Flow Statement) is defined as the sum of cash available and cash equivalent less current bank lending facilities, if any. Cash equivalent includes mainly Money Market Funds, corporate and government bonds that are not subject to significant price variations. All those investments are easily available and the conversion amount into cash is known or subject to insignificant variations.
Cash equivalent are booked at the fair value ; Fair value variations are accounted in the income statement.

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.

A) 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

Fair value changes of derivatives must be recognized in income, with certain exceptions.

B) Inventories

Stocks mainly consist of non-strategic spare parts required for the operation of plants. They are valued at cost price or market price, if the latter is less than the purchase price. No inventory has been recognized at the end of 2012 financial year.

C) Accounts receivable/Accounts payable

Accounts receivable and accounts payable are valued on the date of initial recognition.

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

D) 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, according to the liability method. 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 recovered in subsequent years.

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

E) Share option 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.

F) Pension commitments and similar

Due to the youth of the Group, there are no significant post-employment benefits (retirement pension or similar).

G) 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 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.

H) Revenue Recognition

Turnover consists essentially of revenues obtained from:

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

To date, the Group's activities of buying and selling of carbon credits are not carried out on behalf of customers. Nor do they concern assets or the optimization of the production installations. So the Group is not concerned by the application of IAS 18 and IAS 1 which state that income earned from the trading activity, defined for sales offset by similar purchases or sales that contribute to exchange strategies, must be recognized net in turnover.

I) Other operating revenue

This heading includes in particular income from the generation of carbon credits, concomitant with the electricity generation, for sites having obtained the necessary approval.

J) Other operating income and expenses

Other operating income and expenses consist of transactions which, due to their characteristics, unusual nature or non-recurrence, cannot be considered inherent in the Group's business.

K) 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.

L) Segment reporting

In accordance with IFRS 8, the Velcan Energy group publishes primary segment reporting per geographical area.

The Group’s geographical segments are as follows:

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

4. CHANGE IN BASE OF CONSOLIDATION

As of 31 December 2012, the base of consolidation of Velcan Energy includes 24 fully consolidated companies.

4-1 BASE OF CONSOLIDATION

The following companies are consolidated :

French Companies	Adress	Method of Consolidation	% of control 2012.12	% of Interest 2012.12	Comments
VELCAN ENERGY SA	75, Boulevard Haussmann 75008 Paris	Parent Company	100%	100%	Created on 08/04/2005
Indian Companies	**Adress**	**Method of Consolidation**	**% of control 2012.12**	**% of Interest 2012.12**	**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%	Created on 31/03/2006
TARINI HYDRO ENERGY PVT LTD	Plot No. 85, Bapuji Nagar, Near UP School, Bhubaneswar, Orissa - 751 009	Full integration	100%	100%	Created on 29/11/2006
FLOWTECH HYDRO ENERGY PVT LTD	Plot No. 85, Bapuji Nagar, Near UP School, Bhubaneswar, Orissa - 751 009	Full integration	100%	100%	Created on 6/11/2007
PAUK HYDRO POWER PVT LTD	G-77, Sujan Singh Park, New Delhi-110003	Full integration	100%	100%	Created on 15/11/2007
SIYOTA HYDRO POWER PVT LTD	G-77, Sujan Singh Park, New Delhi-110003	Full integration	100%	100%	Created on 15/11/2007
HEO HYDRO POWER PVT LTD	G-77, Sujan Singh Park, New Delhi-110003	Full integration	100%	100%	Created on 14/11/2007
HIRIT HYDRO POWER PVT LTD	G-77, Sujan Singh Park, New Delhi-110003	Full integration	100%	100%	Created on 14/11/2007
Company in United Arab Emirates	**Adress**	**Method of Consolidation**	**% of control 2012.12**	**% of Interest 2012.12**	**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%	Created on 23/04/07

Brazilian Companies	Adress	Method of Consolidation	% of control 2012.12	% of Interest 2012.12	Comments
VELCAN DESENVOLVIMENTO ENERGETICO DO BRASIL Ltda	Rua São Tomé, 86 cj 192. Vila Olímpia CEP 04551-080, São Paulo	Full integration	100%	100%	Created on 29/12/05
SPE RODEIO BONITO	Avenida Getúlio Vargas, n. 283 S, 3º andar, sala 303 Centro – Chapecó CEP 89.802-001 Santa Catarina	Full integration	95%	95%	Created on 22/08/07
QUEBRA DEDO HIDRELETRICA	Rua São Tomé, 86 cj 192. Vila Olímpia CEP 04551-080, São Paulo	Full integration	100%	100%	Created on 01/02/08
PIRAPETINGA HIDRELETRICA	Rua São Tomé, 86 cj 192. Vila Olímpia CEP 04551-080, São Paulo	Full integration	100%	100%	Created on 28/02/08
IBUTURUNA HIDRELETICA SA	Rua São Tomé, 86 cj 192. Vila Olímpia CEP 04551-080, São Paulo	Full integration	100%	100%	Created on 03/04/08
Company in Luxembourg	**Adress**	**Method of Consolidation**	**% of control 2012.12**	**% of Interest 2012.12**	**Comments**
VELCAN ENERGY LUXEMBOURG SA	11 Avenue Guillaume, L-1651 Luxembourg	Full integration	100%	100%	Created on 12/02/09
Company in Mauritius	**Adress**	**Method of Consolidation**	**% of control 2012.12**	**% of Interest 2012.12**	**Comments**
VELCAN ENERGY MAURITIUS LIMITED	Level 2 Alexander House 35 Cybercity, Ebène, Republic of Mauritius Republic of Mauritius	Full integration	100%	100%	Created on 16/04/09
Company in Peru	**Adress**	**Method of Consolidation**	**% of control 2012.12**	**% of Interest 2012.12**	**Comments**
VELCAN ENERGY PERU SAC	Av. Javier Prado Oeste 795 Magdalena del Mar, Lima - Perú	Full integration	100%	100%	Created on 30/06/2010
Company in Singapore	**Adress**	**Method of Consolidation**	**% of control 2012.12**	**% of Interest 2012.12**	**Comments**
VELCAN ENERGY SINGAPORE PTE LTD	20 CECIL STREET #14-01 EQUITY PLAZA SINGAPORE (049705)	Full integration	100%	100%	Created on 06/05/2011

Representative Office in Lao Republic	Adress	Method of Consolidation	% of control 2012.12	% of Interest 2012.12	Comments
REPRESENTATIVE OFFICE OF VELCAN ENERGY DUBAI HOLDING LTD	16/229 Setthatirath St. Simuang Village, Sisattanak District, Vientiane, Lao PDR	Full integration	100%	100%	Created on 04/05/2011
Company in Indonesia	**Adress**	**Method of Consolidation**	**% of control 2012.12**	**% of Interest 2012.12**	**Comments**
PT. Velcan Ilthabi Hydropower	Gedung Inti Centre Jl. Taman Kemang No. 32 A, Bangka, Mampang Prapatan, Jakarta 12730, Indonesia	Full integration	80%	80%	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	92%	92%	Created on 09/12/2011
PT. Aceh Hydropower	Gedung Inti Centre Jl. Taman Kemang No. 32 A, Bangka, Mampang Prapatan, Jakarta 12730, Indonesia	Full integration	92%	92%	Created on 04/01/2012
PT. Sangir Hydro	Gedung Inti Centre Jl. Taman Kemang No. 32 A, Bangka, Mampang Prapatan, Jakarta 12730, Indonesia	Full integration	95%	95%	Created on 09/07/2012
PT. Bengkulu Hydropower	Gedung Inti Centre Jl. Taman Kemang No. 32 A, Bangka, Mampang Prapatan, Jakarta 12730, Indonesia	Full integration	95%	95%	Created on 16/07/2012

4-2 Changes in consolidation scope

Three new companies were created in Indonesia:
- PT. Aceh Hydropower
- PT. Sangir Hydro
- PT. Bengkulu Hydropower

5. CURRENCY RATES

1 € =	31.12.2012		31.12.2011	
	Closing rate	Average rate	Closing rate	Average rate
BRL (Brazilian Real)	2,70	2,51	2,42	2,33
INR (Indian Rupee)	72,56	69,09	68,71	65,70
AED (Dirham UAE)	4,85	4,72	4,76	5,12
USD (Dollar US)	1,32	1,29	1,29	1,39
PEN (New Peruvian Soles)	3,37	3,44	3,49	3,88
SGD (Singapore Dollar)	1,61	1,61	1,68	1,75
IDR (Indonesian Rupiah)	12 714	12 087	11 731	12 264
NOK (Norwegian Krone)	7,35	7,48	7,80	8,02

6. NOTES ON THE BALANCE SHEET AND INCOME STATEMENT

Note 1 –Goodwill

Goodwill shown in the consolidated balance sheet as of 31 December 2012 is as follows:

In thousands of Euros	31.12.2012				
Business	Historical Value 2011	Forex Adjustment	Closing value	Depreciation	Net
Hydroelectricity India	-	-	-	-	-
Dubai	14	-	14	-	**14**
Total	**14**	-	**14**	-	**14**

The utility value of these goodwill is to be tested annually.

Note 2 –Intangible Assets

Intangible assets as of 31 December 2012 are detailed as follows :

In thousands of euros	Development costs	Intangible assets in progress	Licenses, patents and rights	Other intangible assets	Total
Gross value	4 225	17 148	1 128	14	**22 514**
Cumulated Amort./Dep./Prov.	(360)	(7 242)	(96)	(11)	**(7 709)**
Net closing balance at 31.12.2011	**3 865**	**9 906**	**1 032**	**3**	**14 805**
Gross value					
Opening balance at 01.01.2012	4 225	17 148	1 128	14	**14 805**
Foreign Currency translation	(426)	(1 038)	(161)	(1)	**(1 627)**
Change in perimeter	-	1	-	-	**1**
Acquisitions	-	4 330	597	-	**4 927**
Disposals/Impairment	-	(670)	(2)	(3)	**(675)**
Restatements	-	-	-	-	-
Other movements					-
Closing balance at 31.12.2012	3 798	19 771	1 561	9	**25 140**
Amort./Dep./Prov.					
Opening balance at 01.01.2011	(360)	(7 242)	(96)	(11)	**(7 709)**
Foreign Currency translation	47	678	19	1	**745**
Change in perimeter	-	-	-	-	-
Amort./Dep./Prov. for the period	(168)	(2 813)	(120)	(2)	**(3 103)**
Disposals/WB on prov.	-	1 018	0	3	**1 021**
Restatements	-	-	-	-	-
Other movements					-
Closing balance at 31.12.2012	(480)	(8 359)	(197)	(9)	**(9 046)**
Net closing balance at 31.12.2012	**3 318**	**11 412**	**1 364**	**1**	**16 094**
Gross value	3 798	19 771	1 561	9	**25 140**
Cumulated Amort./Dep./Prov.	(480)	(8 359)	(197)	(9)	**(9 046)**
Net closing balance at 31.12.2012	**3 318**	**11 412**	**1 364**	**1**	**16 094**

Intangible assets mainly consists of direct costs attributable to projects meeting the criteria defined in the accounting principles (see above, §3-5, B)). These projects are as follow (net amounts):

- Rodeio Bonito concession in Brazil: 4.630 k€
- Direct costs incurred on hydroelectric projects in India: 9.369 k€
- Direct costs incurred on hydroelectric projects in Laos and Indonesia: 2.094 k€

The most significant changes are:

- activation of development fees on projects in India (1.4 m€), Brésiliens (0.5 m€) and Indonesia/Laos (2.3 m€)
- additional price paid for the Rodeio Bonito concession (0.6 m €)
- impairment/disposal of Indonesian/laotian projects previously capitalized and abandoned (-0.6 m€)
- provisions on projects in Brazil (-1.6 m€) and Indonesia/Laos (-0.2 m€ net of reversals of provisions) and amortization of Rodeio Bonito concession (-0.3 m€)
- Forex differences (-0.9 m€)

Note 3 –Tangible assets

Tangible assets as of 31 December 2012 are detailed as follows :

In thousands of Euros	Land and Buildings	Technical installations	Vehicles	Furniture computer equip.	Other	Tangible assets in progress	Total
Gross Value	25 011	399	112	215	13	11	**25 760**
Cumulated Amort./Dep./Prov.	(2 271)	(157)	(52)	(113)	(0)	-	**(2 594)**
Net closing balance at 31.12.2011	**22 740**	**242**	**60**	**101**	**13**	**11**	**23 167**
Gross value							
Opening balance at 01.01.2012	25 011	399	112	215	13	11	**25 760**
Foreign Currency translation	(2 674)	(18)	(8)	(9)	(1)	(1)	**(2 710)**
Change in perimeter	-	-	-	-	-	-	-
Acquisitions	173	2	-	39	-	-	**214**
Disposals/Impairment	-	(55)	(21)	(85)	(11)	-	**(172)**
Restatements	-	-	-	-	-	-	-
Other movements							-
Closing balance at 31.12.2012	22 510	329	83	159	2	10	**23 092**
Amort./Dep./Prov.							
Opening balance at 01.01.2011	(2 271)	(157)	(52)	(113)	(0)	-	**(2 594)**
Foreign Currency translation	322	10	5	5	0	-	**343**
Change in perimeter	-	-	-	-	-	-	-
Amort./Dep./Prov. for the period	(1 151)	(47)	(18)	(40)	-	-	**(1 256)**
Disposals/WB on prov.	-	25	19	69	-	-	**113**
Restatements	-	-	-	-	-	-	-
Other movements							-
Closing balance at 31.12.2012	(3 099)	(169)	(46)	(80)	(0)	-	**(3 394)**
Net closing balance at 31.12.2012	**19 410**	**160**	**37**	**80**	**2**	**10**	**19 698**
Gross Value	22 510	329	83	159	2	10	**23 092**
Cumulated Amort./Dep./Prov.	(3 099)	(169)	(46)	(80)	(0)	-	**(3 394)**
Net closing balance at 31.12.2012	**19 410**	**160**	**37**	**80**	**2**	**10**	**19 698**

Tangible assets mainly consists of direct costs attributable to projects meeting the criteria defined in the accounting principles (see above, §3-5, B). These projects are as follows (net amounts):

- Rodeio Bonito concession in Brazil 19 455 k€

The negative variation of the Brazilian Real led to a largely negative exchange variation of this asset (about 2,7 m€). Accumulated amortization on this tangible asset amounts to 2,8 m€ (variation excluding Forex impact of 1 m€ for the year, which represents the main part of the Group amortization expenses for 2012).

Note 4 – Non current financial assets

Velcan Renewable Energy Pvt. Ltd. has taken a stake in an Indian Group, specialized in Civil Works and Heavy Infrastructure Construction and also involved in hydropower sector and high voltage transmission line construction.

As of 31 December 2012, the shares owned by the Group in this company are valued at 1.5 m€.
Since Velcan holds only 3.5% of its shares, this company is not consolidated in the Group.

The rest of non-current financial assets is mainly consisting in:

- the unrealized gain on a forward exchange contract in order to hedge against the Singapore dollar against the Euro (522 k€). It is not a hedge under IFRS regulations, so the impact has been recognized as income
- various security deposits and loans granted by the group (179 k €)

Note 5 – Other non current assets

Other non-current assets are detailed as below :

In thousands of euros	31.12.2012	31.12.2011
Trade of carbon credits	-	-
Taxes on profits		
Other non current receivables	201	246
Gross amounts	**201**	**246**
Depreciations	-	-
Net amounts	**201**	**246**

Other debts are advance payments made to the buyers of former Velcan biomass plants in order to cover legal disputes still unsettled so far.

Note 6 – Deferred tax and Income Tax

The income tax is broken down as follows :

In thousands of Euros	31.12.2012	31.12.2011
Tax Payable	(342)	(432)
Deferred taxes	537	639
Income or taxes related to fiscal integration	-	-
Tax income (+) and Expenses (-)	**194**	**208**

The asset side of deferred tax relates to activation of current year deficits of Velcan Energy Luxembourg subsidiary.

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

In thousands of euros	31.12.2012	31.12.2011
Net income	**4 260**	**(3 102)**
Net profit of investment accounted for using the equity method	-	-
Income tax	194	208
Income before tax	**4 066**	**(3 310)**
Theoretical profit (+) or expense (-) tax at rate of 33,33%	**(1 355)**	**1 103**
Permanent differences	1 655	(1 102)
Deficits of period not recognized as assets (1)	(460)	(1 929)
Deficits recognized as assets (2)	525	2 418
Other (3)	(170)	(282)
Tax Income (+) and Expenses (-)	**194**	**208**
Actual rate of taxation	**-4,8%**	**6,3%**

(1) Due to lack of visibility on the recovery of deficits carried forward, no fiscal deficit has been activated as assets during the fiscal year, except for Velcan Energy Luxembourg's deficit (*)
(2) The deficits realized in France for 2011 and 2012 have been used this year. The deficits of Velcan Energy Luxembourg have been activated during this year
(3) This line mainly consists in tax rate differences

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 concessions and Brazilian subsidiaries owning Ibituruna, Pirapetinga and Quebra Dedo concessions have no tax deficit carried forward. The Brazilian entity owning Rodeio Bonito concessions has a special taxation, based on profits so that no deficit carried forward can be activated.

(*) Cumulated deficits of other entities (Mainly Indian, Brazilian, Singaporean and Peruvian holdings) have not been activated because the probability to be in a position of using those deficits against future benefits is very uncertain or inexistent, mainly due to local tax rules issues.

Note 7 - Clients and other receivables

The Group used to own two Biomass power plants in India, named Satyamaharshi (SMPCL) and Rithwik (RPPL). As of 31 December 2012, the payment arrears claimed by Velcan Energy for the period when it was owning both above companies, related to a dispute between the Association of Biomass Producers of the State of Andhra Pradesh against their client APTRANSCO, amount to 2.685 k€. These amounts have been provisioned at 100% while awaiting the outcome of this dispute.

The hydro power sales receivables related to a part of Rodeio Bonito power production not yet cashed as of 31December 2012 amounts to 376 k€.

In thousands of Euros	31.12.2012	31.12.2011
Biomass electricity customers in India	2 685	3 517
Provision on Biomass electricity customers	(2 685)	(2 832)
Hydro electricity customers	376	396
Total	**376**	**1 080**

Note 8 –Other Current Assets

The other current assets item is broken down as follows :

In thousands of Euros	31.12.2012			31.12.2011		
	Gross	ns	Net	Gross	ns	Net
Trade of carbon credits (1)	886	(514)	372	915	(479)	436
Carbon credit production (2)	20	-	20	187	-	187
Tax and social receivables	142	-	142	245	-	245
Other receivables	261	-	261	167	-	167
Total	**1 309**	**(514)**	**796**	**1 513**	**(479)**	**1 034**

(1) The part reported as “other current assets” corresponds to carbon credits to be delivered by the end of the first period (see above, Note 5) of Bagepalli project. Due to the CERs’ falling price, a partial provision has been booked in order to reflect the real market price (cf table below).
(2) These are carbon credits generated by green energy production in biomass plants in India, which have not been sold yet. CERs (Certified Emission Reduction) are valued at 0.45€ against 4.27 € at 31 December 2011 and VERs (Voluntary Emission Reduction) are valued at 0 €. Detail is given in the chart below.
Unaudited CERs have to be verified by a Designated Operating Agency (DOE) agreed by the United Nations. The number of CER finally issued may therefore vary.

		GS-CER	CER	CER	VER
31.12.2012		*Bagepalli*	*Bagepalli*	*SMPCL*	*RPPL*
Non Current Assets	Receivables (Unaudited) in Tons				
Current Assets	Stock (Audited)		20 620	43 862	
	Receivables (Unaudited) in Tons	47 157	20 210	-	30 104
	Total Tons	**47 157**	**40 830**	**43 862**	**30 104**
	Unit Value	7,50	0,45	0,45	-
	Valuation (k€)	**354**	**18**	**20**	-

Note 9 – Cash & Cash equivalents

The Cash is invested as follows**:**

In thousands of Euros	31.12.2012	31.12.2011
Investment securities	85 945	80 062
Cash	4 956	17 004
Gross active cash in balance sheet	**90 901**	**97 066**
Current creditor bank accounts	-	-
Total net cash balance	**90 901**	**97 066**

The main Cash variations can be explained as follows:

Opening cash including forward forex contracts	**95 947**
Opening Non current financial liabilities (unrealized loss on forward forex contracts)	1 119
Opening cash IFRS	**97 066**
- Own Shares acquisition	- 3 744
- Other operational and investment flows	- 5 495
+ Financial result	4 715
Closing cash IFRS	**90 901**
Closing Non current financial assets (unrealized gain on forward forex contracts)	522
Opening cash including forward forex contracts	**91 423**

As of 31 December 2012, the Group's cash & cash equivalent balance by currency is broken down as follow :

- Dollars US (USD) 26%
- Euros (EUR) 11%
- Norwegian Krone (NOK) 25%
- Indonesian Rupiah (IDR) 24%
- Singaporean Dollars (SGD) 7%
- Brazilian Reals (BRL) 5%
- Other 2%

Note 10 –Equity

Capital :

As of 31 December 2012, the capital of the Velcan Energy Group consists in 7 779 542 shares with a par value of 1.00 Euro, i.e. 7 779 542 Euros. It is fully paid up. It has been updated at the *Registry of the Paris Commercial Court* on January 24th 2013 to 7 779 742 shares with a par value of 1.00 Euro, i.e 7 779 742 euros following a Cash Capital increase which took place during the year (see below)

Own Shares:

As of 31 December 2012, the Group holds 1.759.417 own shares. As the closing market value being 9.90 €, those own shares have a market value of 17.4 m€. Following IFRS rules, those shares reduce the shareholder's equity with the initial acquisition cost, and the unrealized gain on own shares is not taken in the consolidated result.

Change in number of shares :

In number of shares	31.12.2012	Unit Price	31.12.2011	Unit Price
At beginning of the period	**7.779.542**	**1.0**	**7.774.442**	**1.0**
Cash Capital increase on 16 April 2012	200	1.0		
At the end of the period	**7.779.742**	**1.0**	**7.779.542**	**1.0**

Conversion 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 § 5) 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 2012, the cumulative conversion reserves represent an unrealized loss of 2.1 m€, booked in equity, against a net unrealized gain of 2.1 m€ for 2011.

In thousands of Euros **unrealized cumulative exchange loss on conversion reserves**	On Retained Earnings and Equity	On LT Interco Loans	Total
Opening balance at 01.01.2012	(2 883)	5 021	2 138
Variation in 2012	(327)	(4 080)	(4 407)
Closing balance at 31.12.2012	(3 210)	940	(2 269)

Equity warrants

Equity warrants issued offer the possibility of applying for company shares under the conditions described below. The discount rate used for the evaluation of equity warrants corresponds to the OAT accrued at the date of maturity of the treasury bonds.

Date of Board of Director's meeting	26.10.2005	20.02.2009	20.10.2009	09.12.2009	09.04.2010	03.01.2011	21.03.2012
Total number of equity warrants allocated	10 000	28 000	40 000	390 000	4 500	6 000	11 500
Number of equity warrants existing on 31/12/2012	6 000	25 200	40 000	390 000	4 500	6 000	11 500
Number of equity warrants exercisable on 31/12/2012	6 000	25 200	33 500	390 000	1 125	1 500	-
Number of equity warrants exercised on 31/12/2012	4 000	2 300	-	-	-	-	-
Allocation date	26/10/2005	20/02/2009	20/10/2009	09/12/2009	09/04/2010	03/01/2011	21/03/2012
Expiry date	26/10/2015	31/12/2015	31/12/2017	31/12/2017	09/04/2020	03/01/2021	21/03/2022
Subscription price in euros	12,46 €	7,50 €	8,00 €	8,25 €	8,70 €	12,00 €	10,50 €

One equity warrant gives the right to apply for one share.

Stock option plans

Date of Board of Directors Meeting	12.04.2007	29.05.2007	27.02.2008	20.02.2009	09.04.2010	03.01.2011	21.03.2012
Total number of options allocated	9 000	6 000	74 500	77 500	22 000	21 000	12 000
Number of options existing as at 31/12/2012	5 000	6 000	1 000	10 000	6 500	15 000	12 000
Number of options exercisable as at 31/12/2012	5 000	6 000	800	7 500	1 625	1 625	0
Number of options exercised as at 31/12/2012	-	-	-	12 000	200	-	-
Allocation date	12/04/2007	29/05/2007	27/02/2008	20/02/2009	09/04/2010	03/01/2011	21/03/2012
Expiry date	10/04/2017	29/05/2017	27/02/2018	20/02/2019	09/04/2020	03/01/2021	21/03/2022
Subscription price in Euros	20,03 €	22,16 €	27,70 €	7,50 €	8,70 €	12,00 €	10,50 €

One stock option gives the right to apply for one share.

Note 11 – Non-current Financial liabilities and non-current Provisions

Non-current financial liabilities mainly relates to an advance received from AP Transco on the current litigation (445 k€). To date, this amount has been considered as a debt of Velcan toward AP Transco, because the latest appealed against . Le Groupe estime néanmoins qu'il a de bonne chances de recouvrer de l'argent sur ce litige (voir note 7).

Non current and current provisions cover the following risks:

In thousands of Euros	31.12.2011	Allowance	Reversal	Forex Difference	Reclas-sification	31.12.2012
Provision for retirement payments (1)	29	-	0	(2)	-	28
Provision for disputes (2)	1 843	-	(875)	(85)	-	883
Other provision for expenses	(0)					(0)
Total Provisions (non-current liabilities)	**1 871**	**-**	**(875)**	**(86)**	**-**	**910**
Provision for disputes	25	-	(25)	-	-	0
Total provisions (current liabilities)	**25**	**-**	**(25)**	**-**	**-**	**0**
Total provisions	**1 897**	**-**	**(900)**	**(86)**	**-**	**910**

(1) As of 31 December 2012, due to the fact that people eligible for pensions have only been working for the company for a very short time, this information is not significant.

(2)

(i) Litigation following the acquisition of Satymaharshi Power Plant (India)

Parties: Velcan Energy India Pvt. Ltd (VEIPL), defendant, outside the consolidation scope as of 31 December 2012, and the plaintiffs, sellers of the Satyamaharshi Power Corporation Limited (SMPCL, also defendant and outside the consolidation scope as of 31 December 2012). As Velcan Renewable Energy Pvt. Ltd (VREPL) is not a party in this case and sold Velcan Energy India Pvt. Ltd (VEIPL), it has given a warranty to the buyer to meet any costs that might be incurred in relation to this dispute.

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 (15 mINR, or 207 k€ at 2012 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 have 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 (21,3M INR or 294K€) 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 have filled, 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 314 k€ (at 31/12/2012 closing rate), corresponding to 207 k€ of, as per the share purchase agreement, and additional 107 k€ of interests from 01 January 2007 to 15 November 2009, date of the filing of the suit. (amounts at closing rate, interests of 18% per year claimed until the payment).

2. Regarding the payment of receivables, for a total amount of 465 k€ (at 31/12/2012 closing rate), corresponding to 294 k€ of principal and additional 110 k€ of interests from 1st April 2006 up to the filing of the suit. (interests of 24% per year until the payment).

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 138 k€ (at 31/12/2012 closing rate) + Interests. The Group is considering this demand frivolous such as the other ones and has not made any complementary provision.

Those three litigations are currently still ongoing.

The Group is strongly contesting owing these amounts and these procedures are till date pending before the concerned courts of the State of Andhra Pradesh. The existing provision of 883 k€ on 31 December 2012, including interests, was provisioned in the books of VREPL following the selling of VEIPL in 2011 to a third party outside of the group and given the guarantees granted to the buyer of VEIPL during the sale (see Note 23 below). Nevertheless the Company is convinced that these claims are without any real legal or economic grounds and that the Company will not have to pay those amounts in the future. In fact, 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, or 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. As a precaution, 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.

(ii) **Litigations with Rodeio Bonito SA, owner of the hydroelectric concession of the PCH Rodeio Bonito**

The litigation between the sellers of the Rodeio Bonito power plant and Velcan Energy was solved. Both parties agreed on payment of a complement of 1.5mBRL, in exchange of the sellers waiving to become a 5% shareholder of the company. The related provision was reversed, thus impacting positively the accounts of 0.8m€.

Note 12 – Trade and other Payables

Suppliers and other creditors are detailed as follows:

In thousands of euros	31.12.2012	31.12.2011
Suppliers	193	106
Debts on acquisition of fixed assets (1)	250	2 041
Others	169	194
Total	**613**	**2 341**

(1) Those amounts corresponds mainly to the remaining debt, not paid so far since not due as per the contracts, to the sellers of Quebra Dedo (212 k€) concession not paid so far. Pirapetinga (783 k€) and Ibituruna (783 k€) debts toward the concession purchased have been cancelled in 2012, impacting positively the result of the group by 1.6 m€ (in the account other operational income and expenses account).

Note 13 –Other current liabilities

These are mainly tax and social debts.

Note 14 – Business Segment

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

31.12.2012 *In thousands of Euros*	Europe	South America (2)	Middle East & Africa	Asia	Total
Income Statement					
Turnover	-	4 879	-	-	**4 879**
Current operating profit	(2 724)	976	163	(665)	**(2 250)**
EBITDA (1)	(2 510)	2 988	383	(561)	**299**
Net Income	2 074	310	2 633	(757)	**4 260**
Balance Sheet					
Total non-current assets	2 011	23 977	2 354	10 815	**39 158**
Employees registered at the end of the period	6	4	1	44	**55**
31.12.2011 *In thousands of Euros*	**Europe**	**South America (2)**	**Middle East & Africa**	**Asia**	**Total**
Income Statement					
Turnover	627	4 789	-	-	**5 417**
Current operating profit	(4 065)	(884)	(1 306)	(80)	**(6 335)**
EBITDA (1)	(3 200)	3 711	(614)	209	**105**
Net Income	2 054	(3 636)	(862)	(659)	**(3 102)**
Balance Sheet					
Total non-current assets	1 908	28 595	718	9 359	**40 580**
Employees registered at the end of the period	11	6	3	33	**53**

(1) The EBITDA corresponds to Earnings Before Interest Taxes, Depreciation and Amortization
(2) In 2011 and 2012, the negative and low net result for South America area is mainly due to provision and depreciation of Intangible assets under construction of Brzailian projects under development. The result of Rodeio Bonito is positive and the net non current assets of this company amounts to 24 m€ as of 31/12/2012.

Note 15 –Consumed purchases

In thousands of euros	31.12.2012	31.12.2011
Raw materials and supplies	-	-
Goods	(416)	(736)
Other purchases	(16)	(23)
Sales, allowances on purchases	12	(24)
Total	**(420)**	**(784)**

Note 16 –External expenses

External expenses include fees paid to the auditors, as detailed below:

In thousands of Euros	31.12.2012
KPMG	47
JPA	25
BDO	15
Others	10
Total	**97**

Auditors fees only concern the annual audit mission (97 k€).

Note 17 –Employee expenses

Total average number of employees

Number	31.12.2012	31.12.2011
Engineers and executives	25	21
Office workers and Manual workers	27	35
Average registered number of employees	**52**	**56**

Note 18 - Depreciation and provisions

In thousands of Euros	31.12.2012	31.12.2011
Intangible assets		
Amortization	(290)	(239)
Provision allowance (1)	(2 813)	(5 092)
Write Back on provision/Disposal (2)	946	106
Total Intang. Assets	**(2 157)**	**(5 224)**
Tangible assets		
Amortization (3)	(1 089)	(1 239)
Provision allowance	(168)	(188)
Write Back on provision	-	11
Total Tangible Assets (2)	**(1 257)**	**(1 417)**
Other prov. and dep. (net)		
- other op. Exp.(4)	(36)	(467)
- liabilities and charges (5)	900	668
Total other	**865**	**201**
Total amort., dep. and prov.	**(2 549)**	**(6 440)**

(1) Corresponds essentially to provisions/depreciations on Brazilian, Indonesian and Laotian capitalized project costs
(2) Corresponds essentially to reversals of provisions on Indonesian and Laotian projects
(3) Corresponds essentially to the depreciation of the Rodeio Bonito concession
(4) Corresponds to the provisions on carbon credits inventory
(5) See note 11 above

Note 19 – Other operational income and expenses

Other operational income arises from the positive impact of the cancellation of the old debt which was remaining toward the sellers of Ibituruna and Pirapetinga concessions (1.6 m€)
Other operational expenses essentially arise mainly from depreciation of abandoned projects in Indonesia and Laos, amounting to -0.6 k€. Those elements, without cash impact, are classified as other elements without cash impact in the Cash Flow Statement.

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

In thousands of Euros	31.12.2012			31.12.2011		
	Income	Expenses	Total	Income	Expenses	Total
Net debt cost (-) / Net debt revenue (+)						
Income from cash and cash equivalents	3 476		3 476	7 120		7 120
Fair Value on cash and cash equivalent	854		854	89		89
Interest charges		(141)	(141)		(74)	(74)
Total Net debt cost (-) / Net debt revenue (+)	**4 330**	**(141)**	**4 188**	**7 209**	**(74)**	**7 134**
Other financial Income and expenses						
Foreign currency translation gains	2 144		2 144	1 770		1 770
Foreign currency translation losses		(2 041)	(2 041)		(5 378)	(5 378)
Allocation to provision		(0)	(0)		(0)	(0)
Write back on financial assets	-		-	-		-
Other financial income	522		522	305		305
Other financial expenses		(8)	(8)		0	0
Total Other financial Income and expenses	**2 666**	**(2 049)**	**617**	**2 075**	**(5 378)**	**(3 303)**
Total financial result	**6 995**	**(2 190)**	**4 805**	**9 284**	**(5 452)**	**3 831**

Note 21 – Earnings per share

The calculation of earnings per share is detailed below.

	31.12.2012	31.12.2011
Net earnings (in thousands of euros)	**4 290**	**(3 144)**
Weighted average number of shares in circulation	6 220 411	6 406 945
Earnings per share (in euros)	**0,69**	**(0,49)**
Weighted average of convertible instruments converted into ordinary shares	6 291 712	6 608 687
Diluted earnings per share (in euros)	**0,68**	**(0,49)**

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 :
   i) Tax and claims liability guarantee limited to a maximum of 20mINR (276 k€)
   ii) Specific guarantee linked to a claim between RPPL and one of its supplier, limited to 11mINR (152 k€)
   iii) Specific guarantee linked to a claim between RPPL and its customer Aptransco, with no limited amount, estimated by the Group in worst case scenario to 280 k€

   Whatever guarantees were given to RPPL buyers at time of acquistion, the Group is contesting all the related claims from third parties (suppliers and clients mentioned above). To date it is not possible to assess whether those guarantees will be triggered or not.

2) Guarantees given by Velcan Renewable Energy Pvt. Ltd. to the buyers of Velcan Energy India Pvt. Ltd., as part of the sale agreement..
   Those commitments include :
   i) Tax and claims liability guarantee with no limited amount
   ii) Specific guarantee linked to a litigation between SMPCL and one of its contractors, with no limited amount (245 k€ claimed, without interests).
   iii) Specific guarantee linked to a claim between SMPCL, sold by VEIPL, and its customer Aptransco with no limited amount, estimated in worst case scenario to 445 k€

   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 11 (2) (i) above, worst case scenario risk of 883 k€)
   Whatever guarantees 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). To date it is not possible to assess whether those guarantees will be triggered or not.

Note 23 – Sensibility analysis

The sensibility analysis is calculated at a given date and on a given portfolio and are not representative of future evolutions on the revenue and net income.

<u>Exchange Risk</u>

The Group is exposed to seven currencies:

- US Dollar (USD)
- Brazilian Real (BRL)
- Indian Rupee (INR)
- Indonesian Rupiah (IDR)
- Norwegian Krone (NOK)
- Singaporean Dollar (SGD)
- Euro (EUR)

As of 31 December 2012, no hedging has been taken on the asset conversion risk nor on risk of conversion of past or future income. The NOK exposition is linked to the strategy of currency diversification of the Group (there is no subsidiary in the Group having the NOK as functional currency).

The sensibility analysis below is symmetric on the cases of rise and fall of the rates:

		Impact (k€)	
Forex Risk	Variation	**Turnover**	**Net income**
EUR/BRL	10%	488	684
EUR/USD	10%	0	679
EUR/SGD	10%	0	2503
EUR/NOK	10%	0	2246
EUR/IDR	10%	0	2200
EUR/INR	10%	0	150

Rate Risk

Velcan's available cash is mainly invested in monetary funds, fixed deposits, sovereign bonds and private bonds, in EUR, USD, NOK and in other currencies of emerging countries where the group is prospecting.

The sensibility analysis below is symmetric on the cases of rise and fall:

Interest Rate risk	Variation	**Net income impact (k€)**
Interest rates	1%	909

Note 24 – Events after 31 December 2012