



**Consolidated Financial Statements  
as of 30<sup>th</sup> June 2011  
(Non audited)**

**VELCAN ENERGY**  
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FRANCE

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**CONSOLIDATED BALANCE SHEET ASSETS (in thousands of Euros)**

<b>Assets</b>	<b>Net 30.06.2011</b>	<b>Net 31.12.2010</b>
<b>Non current assets</b>		
Goodwill	14	14
Intangible assets	15 373	18 418
Tangible assets	25 426	25 464
Non current financial assets	1 731	1 928
Investments accounted for using the equity method	-	-
Other non current assets	267	525
Deferred tax assets	1 572	1 100
<b>Total non-current assets</b>	<b>44 383</b>	<b>47 449</b>
<b>Current assets</b>		
Inventories	-	-
Trade and other receivables	1 453	1 131
Income tax receivables	328	437
Other current assets	1 609	2 430
Cash and cash equivalents	96 902	98 139
<b>Total current assets</b>	<b>100 292</b>	<b>102 137</b>
<b>Total assets</b>	<b>144 674</b>	<b>149 586</b>

## CONSOLIDATED BALANCE SHEET LIABILITIES (in thousands of Euros)

Liabilities	30.06.2011	31.12.2010
<b>Shareholders equity</b>		
Issued capital	7 778	7 774
Additional paid in capital	139 527	139 366
Other reserves and conversion reserves	(10 240)	(17 293)
Net income for the year	(3 403)	9 093
<b>Total shareholders equity</b>	<b>133 662</b>	<b>138 940</b>
<b>Minority interests</b>	<b>(251)</b>	<b>(290)</b>
<b>Total Consolidated equity</b>	<b>133 411</b>	<b>138 651</b>
<b>Non current liabilities</b>		
Non-current financial liabilities	(0)	(0)
Deferred tax liabilities	2 000	1 334
Non current provisions	1 675	2 689
Other non current liabilities	975	1 040
<b>Total non-current liabilities</b>	<b>4 649</b>	<b>5 063</b>
<b>Current liabilities</b>		
Current financial liabilities	3 569	1 424
Current provisions	107	115
Trade and other payables	2 618	2 709
Income tax payables	74	933
Other current liabilities	246	690
<b>Total Current Liabilities</b>	<b>6 614</b>	<b>5 871</b>
<b>Total Liabilities</b>	<b>144 674</b>	<b>149 586</b>

## CONSOLIDATED INCOME STATEMENT (in thousands of Euros)

Result	30.06.2011	31.12.2010
Net turnover	2 847	3 769
Other operating revenue	2	(48)
<b>Total operating revenue</b>	<b>2 850</b>	<b>3 720</b>
Consumed purchases	(258)	(334)
Changes in inventories		
External expenses	(1 280)	(2 631)
Payroll expenses	(555)	(1 647)
Taxes	(212)	(255)
Other operating income and expenses	(0)	(49)
Depreciation/Amortization	(4 793)	(1 881)
Provision allowances	876	(441)
<b>Current operating profit</b>	<b>(3 372)</b>	<b>(3 519)</b>
Income on sale of equity shares		
Other operating income and expenses	(217)	1 845
<b>Operating profit</b>	<b>(3 589)</b>	<b>(1 674)</b>
Income from cash and cash equivalents	464	13 321
Gross cost of financial debt	(38)	(7)
<b>Net cost of debt</b>	<b>426</b>	<b>13 314</b>
Other financial income and expenses	-	(2 293)
Income tax	(212)	(369)
Profit of investments accounted for using the equity method	-	-
<b>Net profit from continuing operations</b>	<b>(3 375)</b>	<b>8 978</b>
<b>Net profit from discontinuing operations</b>	<b>-</b>	<b>-</b>
<b>Profit, group share</b>	<b>(3 403)</b>	<b>9 093</b>
<b>Profit, minorities share</b>	<b>28</b>	<b>(116)</b>
Earnings per share (in euros)	(0,53)	1,38
Diluted earnings per share (en euros)	(0,51)	1,36
<b>EBITDA</b>	<b>545</b>	<b>(1 197)</b>
Statement of total comprehensive Income	30.06.2011	31.12.2010
Net income	(3 403)	9 093
Foreign currency translation comprehensive income	(1 420)	6 756
<b>Total Comprehensive Income</b>	<b>(4 823)</b>	<b>15 850</b>

## ANNEXE AND COMMENTS ON CONSOLIDATED ACCOUNTS

### 1. ABOUT THE GROUP

Velcan Energy SA was incorporated on April, 8<sup>th</sup> 2005. Its aim is the ownership of hydro power concessions.

The Velcan Energy group devises, develops, implements, finances and operates hydropower concessions in emerging markets. Hydropower is a conventional source of electricity production. It is the only source of renewable and cheap power. In many cases it can compete with coal power generation. The Group power plants are or will be established in India, Brazil, Lao Republic and other emerging markets.

The Company's strategy is to become a market leader in up to 200 MW hydro power concessions in among others India, Brazil and Laos

As of October 2011, Velcan Energy:

- o Has finished the construction and has commissioned its first hydro power concession in Brazil (15 MW)
- o Owns the rights to more than 600 MW of concessions and projects in India, Brazil and Laos (Group share).
- o Has an agreement to develop 300 MW in Laos
- o Is actively prospecting additional emerging markets.

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

Velcan Energy is headquartered in Paris, and employs over 60 people, divided between its main offices (New Delhi, Paris, and São Paulo) and concession sites.

Velcan Energy is listed on the Paris Stock Exchange (Euronext Alternext ALVEL-FR0010245803). The company has never made a public offering according to the sense given in the articles L 411-1 and L 411-2 of the French financial and monetary Code.

### 2. COMMENTS FROM THE MANAGEMENT- Financial events and business activities

The Group does not see any improvement in the administrative procedures to obtain the necessary authorizations and clearances for its 5 projects under development in Brazil. Depending on the projects, the issues are administrative issues, social issues and/or fierce competition. Furthermore some projects appear not to be profitable anymore in the current context of decreasing energy prices and increasing construction costs.

It has led the Group to downgrade the probability of success of its Brazilian portfolio, and depreciate 4 projects (Ibituruna, Pirapetinga, Quebra Dedo and Cabuy) and abandon one (Cachoeira Alegre). It has negatively impacted the net income by 4 242 k€

The Group has suffered forex losses during the first semester on its Brazilian government bonds. As of today this bond portfolio has been fully sold. The overall forex losses in the first semester for the Group amounted to -3 202 k€ (including -1 420 k€ of foreign currency translation comprehensive losses). Following the depreciation of the US dollar against the Euro during the 2011 first semester, it should be added a loss of 1.518 k€ as financial provision linked to the US dollar forward forex contract concluded by Velcan Energy in May 2010.

During the first semester, one of the three main turbines (4,6MW) of the Rodeio Bonito power plant (Brazil) was stopped because of abnormal vibrations. The issue is expected to be solved by the manufacturer and covered under the warranty provisions. The turbine is scheduled to resume generation in October 2011. This should have no financial impact in 2011 thanks to the Assured Energy mechanism in place in Brazil.

The dispute with the civil contractor of Rodeio Bonito has been solved as of June 2011 and both parties agreed on an increase on the final construction price compared to what had been paid so far.

It has had a negative cash impact of 2.6 mBRL on the cash position of the Group. But it has had a positive impact on the net income of the Group as of 30/6/2011 for accounting reasons. As per IFRS rules, the provision has been written back but the added construction price has been booked in tangible assets. The net positive impact on the net income is approximately 2 mBRL.

The Group has pursued the development of its Indian concessions in Arunachal Pradesh (approx. 500MW), aiming at obtaining the final approval of the installed capacity, and then the environmental and technical clearances required for the construction.

The prospection and development of new projects in Laos and other countries have intensified during the first semester.

### 3. CURRENCY RATES

1 € =	30.06.2011		31.12.2010	
	Closing rate	Average rate	Closing rate	Average rate
BRL (Brazilian Real)	2,26	2,29	2,22	2,35
INR (Indian Rupee)	65,36	63,95	59,76	60,97
AED (Dirham UAE)	5,28	5,15	4,91	4,88
USD (Dollar US)	1,44	1,40	1,34	1,33
PEN (New Peruvian Soles)	3,98	3,95	3,75	3,81
IDR (Indonesian Rupiah)	12405,00	12342,90	12002,14	12114,64

### 4. COMMENTS ON THE BALANCE SHEET AND INCOME STATEMENT

#### 4.1. Comments on the balance sheet

#### ASSETS

##### Intangible assets:

The group has pursued actively the development of its concessions in India, Laos and other emerging countries, however, a negative forex impact variation and significant depreciations on Brazilian projects (-4 242 k€) has led to a net decrease (-3 045 k€) of the intangible assets (15 373 k€ against 18 418 k€ as of December 31<sup>st</sup> 2011)

##### Tangible assets:

Gross tangible assets have increased with the settlement amount paid to Rodeio Bonito civil contractor. However the net amount has remained steady due to negative forex impact and the amortization of the Rodeio Bonito Power Plant.

##### Cash and Cash equivalent:

The cash has slightly decreased compared to December, 31<sup>st</sup> 2011, mainly due to a negative forex impact and the settlement amount paid to the civil contractor of Rodeio Bonito.

<i>In thousands of Euros</i>	30.06.2011	31.12.2010
Investment securities	93 409	95 090
Cash	3 493	3 049
<b>Gross active cash in balance sheet</b>	<b>96 902</b>	<b>98 139</b>
Current creditor bank accounts	-	-
<b>Total net cash balance</b>	<b>96 902</b>	<b>98 139</b>

As of June 30<sup>th</sup> 2011, the cash per currency was broken down as follows:

- Brazilian Real (BRL) 68%
- Euros (EUR) 17%
- Indonesian Rupiah (IDR) 10%
- Other 5%

## **LIABILITIES**

### **Non current provisions:**

Non current provisions have been reduced following the settlement of the Rodeio Bonito civil constructor claim.

### **Current financial liabilities:**

Financial current liabilities amounts to 3.569 k€ against 1.424 k€ as of December 31<sup>st</sup> 2010. It corresponds to a forex loss on a forward forex realized in May 2010 to cover the company against the risk of appreciation of the US Dollar against Euro, as most of the group investment currencies are linked to the US Dollar.

## **4.2. Comments on the income statement**

The EBITDA has been positive during the first semester (545 k€ against -1.197 k€ as of December 2011). However the depreciation on Brazilian projects has weighted on the net profit conducting to an overall net loss of -3.4 m€ against a net profit of 9m€ as of December 2011.

## **CURRENT OPERATING PROFIT:**

### **Turnover:**

The sales of electricity in Brazil amounted to 2.438 k€ for 6 months against 3.544 k€ for 12 months in 2010.

The sales of carbon credits linked to Bagepalli CDM (Clean Development Mechanism) Gold Standard project amounted to 409 k€

As a result, the net turnover during the first semester 2011 was 2.847 k€ for 6 months against 3.769 k€ in 2010 for 12 months.

### **Depreciation/Amortization:**

The negative impact of the depreciation on Brazilian projects amounted to -4.242 k€. Additionally, the amortization of Rodeio Bonito intangible and tangible assets amounted to -696 k€. It has resulted in a significant negative impact on this item compared to December 2010 (-4.793 k€ against -1.881 k€).

### **Provision allowance:**

The provision allowance account impact was positive on the first semester results due to the resolution of the claim of the Rodeio Bonito civil contractor (+876 k€).

## **FINANCIAL RESULT**

The forex losses on Brazilian Government Bonds and the additional loss on the USD forward contract have weighted on the net financial result that has been slightly positive during the first semester 2011 (426 k€).

<i>In thousands of Euros</i>	<b>30.06.2011</b>	<b>31.12.2010</b>
Income from cash and cash equivalents	3 818	6 901
Foreign currency translation gains	0	7 446
Foreign currency translation losses	(1 782)	(1 195)
Fair Value on cash and cash equivalent	(53)	161
Interest charges	(0)	(0)
Allocation to provision/Write back on financial assets	-	(883)
Other income and expenses	(1 557)	(1 409)
<b>Total financial income</b>	<b>426</b>	<b>11 021</b>



### **TOTAL COMPREHENSIVE INCOME**

The foreign currency translation losses on the group reserves and intercompany loans for the 2011 first semester amounted to -1.420 k€ This loss, which is not part of the net profit/loss in the income statement, is reducing the net shareholder's equity for the same amount. Compared to last year significant profit of 16 m€, the net comprehensive income amounts thus to a net loss of -4.8 m€ during the 2011 first semester.

### **4.3. Events after the 30th June 2011**

As of September 2011, the Group, having sold its whole Brazilian Government Bonds portfolio, has announced a significant change in its assets allocation.