



**Consolidated Financial Statements
as of June 30th, 2012
(Non audited)**

VELCAN ENERGY
75, boulevard Haussmann
75008 PARIS
FRANCE

Contents

CONSOLIDATED BALANCE SHEET ASSETS (in thousands of Euros)	3
CONSOLIDATED BALANCE SHEET LIABILITIES (in thousands of Euros).....	4
CONSOLIDATED INCOME STATEMENT (in thousands of Euros).....	5
ANNEXE AND COMMENTS ON CONSOLIDATED ACCOUNTS	6
1. ABOUT THE GROUP.....	6
2. COMMENTS FROM THE MANAGEMENT- Financial events and business activities.....	6
3. CURRENCY RATES	7
4. COMMENTS ON THE BALANCE SHEET AND INCOME STATEMENT.....	7

CONSOLIDATED BALANCE SHEET ASSETS (in thousands of Euros)

Assets	Net 30.06.2012	Net 31.12.2011
Non current assets		
Goodwill	14	14
Intangible assets	15 423	14 805
Tangible assets	20 713	23 167
Non current financial assets	2 408	1 641
Investments accounted for using the equity method	-	-
Other non current assets	37	246
Deferred tax assets	412	708
Total non-current assets	39 006	40 581
Current assets		
Inventories	-	-
Trade and other receivables	809	1 080
Income tax receivables	301	295
Other current assets	909	1 034
Cash and cash equivalents	95 475	97 066
Total current assets	97 495	99 476
Total assets	136 501	140 056

CONSOLIDATED BALANCE SHEET LIABILITIES (in thousands of Euros)

Liabilities	30.06.2012	31.12.2011
Shareholders equity		
Issued capital	7 780	7 780
Additional paid in capital	139 409	139 408
Other reserves and conversion reserves	(18 169)	(11 341)
Net income for the year	2 206	(3 144)
Total shareholders equity	131 226	132 702
Minority interests	77	(235)
Total Consolidated equity	131 303	132 467
Non current liabilities		
Non-current financial liabilities	0	1
Deferred tax liabilities	320	303
Non current provisions	948	1 871
Other non current liabilities	915	935
Total non-current liabilities	2 185	3 110
Current liabilities		
Current financial liabilities	-	1 119
Current provisions	-	25
Trade and other payables	2 089	2 341
Income tax payables	69	111
Other current liabilities	855	883
Total Current Liabilities	3 013	4 479
Total Liabilities	136 501	140 056

CONSOLIDATED INCOME STATEMENT (in thousands of Euros)

Result	30.06.2012	30.06.2011
Net turnover	2 552	2 847
Other operating revenue	27	2
Total operating revenue	2 580	2 850
Consumed purchases	(51)	(258)
Changes in inventories	-	-
External expenses	(1 376)	(1 280)
Payroll expenses	(522)	(555)
Taxes	(36)	(212)
Amortization & Provision	(1 250)	(3 917)
Current operating profit	(655)	(3 372)
Income on sale of equity shares	-	-
Other operating income and expenses	(43)	(217)
Operating profit	(698)	(3 589)
Financial Income	4 705	464
Financial expenses	(1 286)	(38)
Financial Result	3 420	426
Income tax	(522)	(212)
Profit of investments accounted for using the equity method	-	-
Net profit from continuing operations	2 199	(3 375)
Net profit from discontinuing operations	-	-
Profit, group share	2 206	(3 403)
Profit, minorities share	(7)	28
Earnings per share (in euros)	0,35	(0,53)
Diluted earnings per share (en euros)	0,34	(0,51)
EBITDA	595	545

Statement of total comprehensive Income	30.06.2012	30.06.2011
Net income	2 206	(3 403)
Foreign currency translation comprehensive income	(2 087)	(1 420)
Total Comprehensive Income	119	(4 823)

APPENDIX AND COMMENTS ON CONSOLIDATED ACCOUNTS

1. ABOUT THE GROUP

Velcan Energy SA was incorporated on April, 8th 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 September 2012, 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 50 people, divided between its main offices (New Delhi, Paris, Singapore 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 2.6m€ turnover is almost entirely consisting in sales of electricity from Rodeio Bonito hydropower plant in Brazil, and is stable compared to first half of 2011. EBITDA is positive, similar to previous year.

Financial income amounted to 3.4m€ of which 1.8m€ of revenue excluding forex changes, a significant decrease compared to first half of 2011 (3.8m€), due to the sale of Brazilian government bonds in September 2011. Global forex impact on the Group's shareholders equity is slightly negative with 1.6m€ foreign exchange gains impacting positively the net income and -2.1m€ unrealized negative forex fluctuation of conversion reserves, charged directly to shareholders equity and to global income (this loss is mainly due to Brazilian real depreciation and to the impact on the value of intra-group loans which were used to finance Rodeio Bonito Brazilian dam).

Operational costs are stable compared to first half of 2011. Depreciation of tangible and intangible assets related to Rodeio Bonito hydropower plant amounted to 677k€, provisions related to tangible and intangible current assets on projects under development amounted to 1.4m€ mainly on Cabuy Brazilian project, for which the Group does not see any improvement in the procedures (-700k€). The dispute with the previous promoters of Rodeio Bonito Hidreletrica SA, owner of Rodeio Bonito hydropower plant, 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 plaintiff waiving their claim to become a 5% shareholder of the company.

In India, the Group continued the development of hydropower concessions obtained in 2007 in Arunachal Pradesh. Teams are working on land acquisition, on obtaining various local and central administrative authorizations, and on finalizing techno-economic studies. Approval of technical studies by the Central Electrical Authority (CEA) and review of environmental licenses applications are still in progress.

In Laos, the group progressed on technical studies for Nam Ang Tabeng (35 MW) and Nam Phouan (25MW) projects, and should soon be able to decide on technical and economical feasibility (profitability) of Nam Phouan project.

The group also prospects in other emerging countries, including Indonesia, at a more or less advanced level depending on projects.

3. CURRENCY RATES

1 € =	30.06.2012		31.12.2011	
	Closing rate	Average rate	Closing rate	Average rate
BRL (Brazilian Real)	2,62	2,42	2,42	2,33
INR (Indian Rupee)	70,72	68,55	68,71	65,70
AED (Dirham UAE)	4,62	4,77	4,76	5,12
USD (Dollar US)	1,26	1,30	1,29	1,39
PEN (New Peruvian Soles)	3,35	3,51	3,49	3,88
SGD (Singapore Dollar)	1,60	1,64	1,68	1,75
IDR (Indonesian Rupiah)	11911,10	11955,60	11731,47	12264,00
NOK (Norwegian Krone)	7,55	7,58	7,80	8,02

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, (+2m€ intangible asset in process of acquisition) and has recognized an increase in the price of Rodeio Bonito concession for about 0.6m€ (please refer to management comments above). However, the negative forex impact (-1m€), Rodeio Bonito depreciation (-0.2m€) and significant provisions (-1.2m€), especially for Cabuy (please refer to management comments above), resulted only in a light net increase (+617k€) of intangible assets (15 423k€ against 14 805k€ as of December 31st, 2011).

Tangible assets:

Gross tangible assets have not increased, however net tangible assets have decreased (2 453k€), mainly as a result of negative foreign exchange impact on Rodeio Bonito company's assets due to depreciation of the Brazilian real (-1.7m€), but also because of Rodeio Bonito hydropower plant depreciation (-0.7m€).

Non current financial assets:

These assets have increased, mainly due to the positive impact of a EURO / Singapore Dollar exchange forward transaction on a two years period and for an amount of 25m€

Cash and Cash equivalent:

Cash slightly decreased (-1.7m€) compared to December 31st, 2011 mainly due to the additional price paid to previous promoters of Rodeio Bonito (-600k€ please refer to management comments above) and to treasury shares acquisitions (-1 365k€).

<i>In thousands of Euros</i>	30.06.2012	31.12.2011
Investment securities	87 292	80 062
Cash	8 183	17 004
Gross active cash in balance sheet	95 475	97 066
Current creditor bank accounts	-	-
Total net cash balance	95 475	97 066

As of June 30th 2012, cash per currency (excluding exchange forward transactions) was broken down as follows:

- US Dollar (USD) 28%
- Norwegian Krone (NOK) 23%
- Euros (EUR) 22%
- Indonesian Rupiah (IDR) 21%
- Other 6%

LIABILITIES

Non-current provisions:

Non-current provisions decreased due to the reversal of provisions following settlement of the dispute with the minority shareholders of Rodeio Bonito.

Current financial liabilities:

Current financial liabilities amount to 3 013k€ against 4 479 k€ as of December 31st 2011, a significant decrease due to the unwinding of the EURO / US Dollar exchange forward transaction realized in May 2010 and closed in May 2011, which weighed for 1 119k€ in balance sheet current liabilities as of December 31st, 2011.

4.2. Comments on the income statement

EBITDA is still positive, in slight increase compared to first half of 2011 (595k€ against -545k€ in June 2011). The result is significantly improving compared to June 30th, 2011 mainly thanks to financial products which include some foreign exchange gains (2 206k€ against -3 403k€).

CURRENT OPERATING PROFIT:

Turnover:

Rodeio Bonito hydropower plant electricity sales in Brazil have generated 2 552k€ of turnover for the first half of 2012 against 2 438k€ for the first half of 2011 (+4.6%).

Depreciation/Amortization and Provisions/Reversal of provisions:

Depreciation and amortization have negatively impacted the result of 1 250k€ (net of reversals). Please refer to management comments and feedback on tangible and intangible assets above.

FINANCIAL RESULT

The net financial result amounted to 3 420k€ (please refer to management comments above).

TOTAL COMPREHENSIVE INCOME

Losses on conversion of reserves and intra-group loans in foreign currencies amounted to 2 087k€ for the first half of 2012 (please refer to management comments above). This loss, which does not impact net income in the income statement, however negatively impacts the Group's shareholders equity for an equivalent amount. Compared to the total comprehensive income of 2011 first half, with a large deficit of 4.8m€, the total comprehensive income has shown a small net profit of 119k€ for the first half of 2012.

4.3. Events after the 30th June 2012

No significant events occurred after the closing date of the balance sheet as of June 30th, 2012.