



**KPMG Entreprises
Bordeaux Aquitaine**
11 rue Archimède
Domaine de Pelus
33692 Mérignac cedex
France

Additional mention



Postaddress

VELCAN ENERGY SA

Statutory auditors' report on the consolidated financial statements

Year ended 31 December 2013
VELCAN ENERGY SA
75 Boulevard Haussmann - 75008 Paris
This report contains 41 pages



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*This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.
The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.
This report also includes information relating to the specific verification of information given in the Group's management report.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

VELCAN ENERGY SA

Registered office : 75 Boulevard Haussmann - 75008 Paris
Share capital : €7.780.942

Statutory auditors' report on the consolidated financial statements

Year ended 31st December 2013

To the Shareholders,

In compliance with the assignment entrusted to us by your shareholders' meeting, we hereby report to you, for the year ended 31st December 2013, on:

- the audit of the accompanying consolidated financial statements of Velcan Energy SA;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by your Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

1 Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31st December 2013 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

2 Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Law (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters.

Capitalization of development costs

As mentioned in section 3-5-B to consolidated financial statements the company registers as intangible fixed assets development costs corresponding to criteria defined by International Financial Reporting Standards as adopted by the European Union. We examined activity and profitability forecasts underlying the appropriateness of this registration, depreciation methods and methods used for verification of their current value and we ensured that sections 3-5B and 6 (note 2) to consolidated financial statements provide appropriate information.

Marketable securities

Our works consisted in gathering sufficient and appropriate evidence on the assessments retained as described in section 3-5-F to the consolidated financial statements.

Impairment

The company systematically proceeds at the end of each financial year to impairment tests of goodwill and long-term assets, in accordance with modalities set out in sections 3-5-E to the consolidated financial statements. We examined the performance of impairment tests as well as cash flow forecasts and assumptions used and ensured that section 6 (notes 2 and 3) to the consolidated financial statements provides appropriate information.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3 Specific verification

As required by law we have also verified, in accordance with professional standards applicable in France, the information presented in the group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Mérignac and Paris, 19th March 2014

KPMG Entreprises
A division of KPMG S.A.

JPA SA

Franck Cournut
Partner

Hervé Puteaux
Partner



Consolidated Financial Statements at 31st December 2013

VELCAN ENERGY

75, boulevard Haussmann

75008 PARIS

FRANCE

This document is a free translation into English of reports and or supporting documents related to Velcan Energy consolidated accounts. It is provided solely for the convenience of English speaking users. This translation should be read and construed in accordance with the same document established in French language, and as per French law. The corresponding document in French language shall prevail in case of any discrepancy.

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CONSOLIDATED BALANCE SHEET ASSETS

(in thousands of Euros)

Assets	Note	31.12.2013	31.12.2012
Non current assets			
Goodwill	1 p.24	-	14
Intangible assets	2 p.24	17 320	16 094
Tangible assets	3 p.25	15 586	19 698
Non current financial assets	4 p.26	2 448	2 209
Investments accounted for using the equity method		-	-
Other non current assets	5 p.26	76	201
Deferred tax assets	6 p.27	1 503	941
Total non-current assets		36 932	39 158
Current assets			
Inventories		1	-
Trade and other receivables	7 p.28	325	376
Income tax receivables		199	255
Other current assets	8 p.28	483	796
Cash and cash equivalents	9 p.29	84 046	90 901
Total current assets		85 054	92 328
Total assets		121 986	131 486

CONSOLIDATED BALANCE SHEET - LIABILITIES

(in thousands of Euros)

Liabilities	Note	31.12.2013	31.12.2012
Shareholders equity			
Issued capital	10 p.29	7 781	7 780
Additional paid in capital		139 586	139 575
Other reserves and conversion reserves	10 p.30	(25 916)	(22 822)
Net income for the year		(4 092)	4 290
Total shareholders equity		117 360	128 822
Minority interests		52	74
Total Consolidated equity		117 412	128 896
Non current liabilities			
Non-current financial liabilities	11 p.31	1 035	0
Deferred tax liabilities	6 p.27	-	-
Non current provisions	12 p.31	772	910
Other non current liabilities	13 p.31	726	645
Total non-current liabilities		2 533	1 556
Current liabilities			
Current financial liabilities	11 p.31	1 423	0
Current provisions	12 p.31	25	-
Trade and other payables	14 p.32	302	613
Income tax payables		78	96
Other current liabilities	15 p.32	214	325
Total Current Liabilities		2 042	1 033
Total Liabilities		121 986	131 486

CONSOLIDATED INCOME STATEMENT

(in thousands of Euros)

Result	Note	31.12.2013	31.12.2012
Net turnover	16 p.33	4 595	4 879
Other operating revenue		1	29
Total operating revenue		4 596	4 907
Consumed purchases	17 p.33	(604)	(420)
Changes in inventories			
External expenses	18&20 p.33	(1 603)	(2 466)
Payroll expenses	19&20 p.34	(1 167)	(1 555)
Taxes		(35)	(167)
Depreciation, Amortization & Provisions	21 p.34	(888)	(2 549)
Current operating profit	16 p.33	299	(2 250)
Other operating income	22 p.34		1 510
Other operating expenses	22 p.34	(1 103)	
Operating profit		(804)	(740)
Financial Income	23 p.35	5 010	6 995
Financial expenses	23 p.35	(8 494)	(2 190)
Financial Result		(3 484)	4 805
Income tax	6 p.27	164	194
Profit of investments accounted for using the equity method		-	-
Net profit from continuing operations		(4 124)	4 260
Net profit from discontinuing operations		-	-
Profit, group share		(4 092)	4 290
Profit, minorities share		(32)	(30)
Earnings per share (in euros)	24 p.35	(0,68)	0,69
Diluted earnings per share (en euros)	24 p.35	(0,68)	0,68
EBITDA	16 p.33	1 187	299
Statement of total comprehensive Income		31.12.2013	31.12.2012
Net income		(4 124)	4 260
Foreign currency translation comprehensive income		(7 505)	(4 411)
Total Comprehensive Income		(11 629)	(152)

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) of the Group considerably improved during financial year 2013. It amounted to EUR 1.2m in FY 2013 against EUR 0.3m in FY 2012.

Variations in Foreign currency translation reserves are included in the Income Statement when the related entities are stripped out of the consolidation perimeter.

CONSOLIDATED CASH FLOW STATEMENTS

(in thousands of Euros)

Cash Flows		31.12.2013	31.12.2012
Net consolidated profit		(4 124)	4 260
Adjustments:			
Elimination of profit of investment accounted for using the equity method		-	-
Elimination of amortization and provisions	21 p.34	888	2 549
Elimination of other elements with no impact on cash flows	22&23 p.34	3 124	(869)
Elimination of income from disposals		343	8
Expenses and income calculated for payment in shares		488	-
Cash flow after net cost of financial debt and tax		719	5 948
Elimination of deferred tax	6 p.27	(562)	(537)
Elimination of net Financial Income	23 p.35	(5 010)	(6 995)
Elimination of net Financial Expenses	23 p.35	8 494	2 190
Cash Flow before net cost of financial debt and tax		3 641	606
Impact of variation of operating working capital	22 p.34	202	(1 599)
Cash flows from operating activities		3 843	(994)
Changes in consolidation scope effects		(11)	0
Acquisition of tangible and intangible assets	2&3 p.24	(4 599)	(5 140)
Acquisition of financial assets		(350)	37
Variation of loans and advances granted		(37)	(133)
Disposal of tangible and intangible assets	22 p.34	73	73
Disposal of financial assets		12	22
Cash flows from investment operations		(4 912)	(5 143)
Capital increase		13	1
Proceeds from borrowings		56	-
Repayment of borrowings		-	-
Net acquisition of own shares	10 p.29	(368)	(3 744)
Net financial interest (excl. Prov. allowances and Write B. on fin. assets)	23 p.35	(3 483)	4 805
Dividends paid to shareholders of the group		-	-
Cash flows from financing operations		(3 782)	1 063
Net foreign currency translation differences		(2 004)	(1 090)
Net cash flow variation		(6 854)	(6 164)
Net opening cash		90 901	97 065
Net closing cash		84 046	90 901

The group currently has no loans. Therefore, there are no interests paid in 2013.

Tax paid for Fiscal Year 2013 amounted to EUR 0.4m.

Other items not affecting cash flow include mainly derivatives contracts rollovers (without impact on cash flow).

STATEMENT OF CHANGES IN EQUITY

(in thousands of Euros)

	Capital	Additional paid in capital	Own Shares	Foreign currency translation reserves	Reserves & consolid. net income	Total Group interest	Minority interests	Total Equity
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	-	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
Situation at 01.01.2013	7 780	139 575	(14 857)	(2 269)	(1 406)	128 822	74	128 896
Net income	-	-	-	-	(4 091)	(4 091)	(32)	(4 124)
Other comprehensive income	-	-	-	(7 485)	-	(7 485)	(20)	(7 505)
Total comprehensive income	-	-	-	(7 485)	(4 091)	(11 577)	(52)	(11 629)
Distribution of dividends	-	-	-	-	-	-	-	-
Stock-Options exercised	1	12	-	-	-	13	-	13
Fair value of Stock-Options	-	-	-	-	488	488	-	488
Own Shares acquisition	-	-	(366)	-	-	(366)	-	(366)
Share capital increases subscribed by noncontrolling interests	-	-	-	-	-	-	-	-
Other	-	-	-	-	(20)	(20)	30	10
Situation at 31.12.2013	7 781	139 586	(15 223)	(9 755)	(5 030)	117 360	52	117 412

APPENDIX

1. ABOUT THE GROUP

Velcan Energy (ALVEL FP) develops and operates hydro power concessions in emerging markets. The Company's strategy is to become a market leader in up to 200 MW hydro power concessions in India, Brazil, Laos and Indonesia.

Hydro power is attractive and can be an important contributor to the economic development of these countries:

- Chronic electricity shortages are an impediment to social and economic development. For instance, an estimated 650 million people do not have regular access to electricity in India.
- Under-capacity has led both the Indian and Brazilian national governments to liberalize their national electricity market to allow increased private and foreign competition.
- Laos has a strategic position in South-East Asia and can export electricity to growing countries such as Thailand, Vietnam, Cambodia and China. Indonesia is one of the largest emerging economies in the world with stable economic growth rates and good conditions for hydro power.
- Velcan Energy is active in countries with huge untapped hydroelectric potential; 84,000 MW in India, 180,000 MW in Brazil, 75 000 MW in Indonesia and 26,000 MW in Laos.

As of December 2013, Velcan Energy:

- finished building and has put into operation its first hydroelectric concession in Brazil (15 MW),
- owns rights related to hydroelectric concessions projects amounting to over 860 MW in India, Brazil, Indonesia and Laos,
- has two pre-concessions in the Lao PDR for a total of 93 MW,
- Develops, through a consortium with a subsidiary of PLN and a local partner, a 59 MW hydroelectric project in Indonesia.

Velcan Energy employs around 50 people in its offices (New Delhi, Singapore, Vientiane, Jakarta and Saõ Paulo) and its concession sites.

Velcan Energy is listed on the Paris Stock Market (Euronext Alternext ALVEL-FR0010245803). The Company never performed any Public Offer as under the meaning of Articles L 411-2, II-4° and D 411-1 of the French monetary and Financial code.

2. SIGNIFICANT EVENTS OF THE PERIOD

2-1 Financial events

During FY 2103, turnover amounted to EUR 4.6m, of which EUR 4.4m from electricity sales and EUR 0.2m from sales of carbon credits.

Net Financial Income for the group amounted to EUR -3.5m in 2013, of which EUR +3m of income excluding Foreign Exchange (FX) and derivatives variations. This income compares to EUR 4.2m in 2012 following, in part, the sale of Indonesian bonds.

The overall impact of FX on the Financial Income is a loss of -EUR 3.7m to which must be added an unrealized loss of EUR 2.3m on derivatives (FX forwards and options), mainly because of the weak USD (-4.5% on the year) and Singapore Dollar (-8.1%).

The significant depreciation of Emerging Market currencies in 2013 relative to the Euro (Brazilian Real -20.5%; Indian Rupee -17.6%, Indonesian Rupiah -31.9%) weighed heavily on conversion reserves as the Group's main investments (tangible and intangible) have been done in local currency. Thus, at 31st December 2013, unrealized losses on conversion reserves booked directly against Group Equity amounted to EUR 9.8m versus a loss of EUR of EUR 2.3m at 31st December 2012.

Operating costs are down sharply from 2012 (-31%). The Group continued its cost-cutting policy in order to improve EBITDA, which grew from EUR 0.3m to EUR 1.2m in 2013.

Depreciation and amortization of tangible and intangible assets of Rodeio Bonito plant amounted to EUR 1.2m. Net write downs and impairments on assets amounted to EUR -0.7m.

2-2 Business Activities

During Fiscal Year 2013 Velcan Energy consolidated its existing portfolio and concentrated it on a smaller number of projects with satisfactory probabilities of realization. Significant progress on these key projects has allowed the Group to grow its portfolio of projects in development by 37% to 860 MW. In 2013, broad cost-cutting efforts, in particular the cut in the number of Indonesian projects, allowed an improvement of EBITDA despite a decline in turnover caused by the appreciation of the Euro relative to the Brazilian Real. These efforts should continue to bear fruit in 2014.

In India, the Group continued the development of its hydroelectric concessions in Arunachal Pradesh that were granted in 2007. Its teams are working on land acquisition and on obtaining all necessary administrative clearances. The Group announced important milestones as it successfully submitted the Detailed Project Report (DPR) for Tato-1 (186 MW) and Heo (240 MW). These DPRs were accepted for examination by the Central Electrical Authority (CEA). Velcan Energy is confident that it will obtain the Techno-Economic Clearance (TEC) for Tato-1 and Heo during 2014 depending on the CEA's administrative process. The Group also announced that the public hearings for all three projects in Arunachal Pradesh (Heo, Pauk and Tato-1) were successfully held. These hearings are decisive steps in order to obtain environmental clearances.

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 are internecine. The licensing Government is responsible for the process of land acquisition and dispute settlement. The Group remains optimistic concerning the settlement of such disputes. Furthermore, 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.

In Indonesia, the Group continued to consolidate its portfolio and to work on its projects. It announced in July that it held rights for three projects at various stages of advancement, totaling 128 MW. The Group also signed an exclusive agreement with PT PJB, a wholly-owned subsidiary of the national utility PT PLN for the joint development of a 59 MW project, Meureubo 2. Velcan Energy will be the Consortium leader with a 70% stake. The Group is appraising other projects at various stages of advancement. However, the weakening of the Indonesian Rupiah led the Group to put on hold a number of projects under 10 MW capacity.

In Laos, the Group, active there since 2010, announced new advances with the validation of the Feasibility studies for both Nam Phouan and Nam Ang Tabeng as well as the granting of the environmental clearance for Nam Phouan. These projects are being developed in partnership with ECI (Electrical Construction and Installation). Furthermore, capacity for Nam Phouan was revised from 25 MW to 52 MW and that of Nam Ang Tabeng from 35 MW to 41 MW. Finally, the Group also revised upwards the probability of success on Nam Ang Tabeng and wrote back the existing provision on development costs on this project which has been in development since 2011.

In Brazil, the Rodeio Bonito Hydropower plant (15 MW) ran without any technical problems. The operating and financial performance of the plant were satisfactory but the weakening of the Brazilian Real and the remedial actions taken by the Brazilian government following the drought of 2012 weighed on the EBITDA when expressed in Euros (EUR 3.1m in 2013 vs EUR 3.5m in 2012). The MME (Ministério de Minas e Energia) decided (« Resolução nº 03 du 06/03/2013 ») that all agents of the electricity market should partake in the incremental cost caused by the utilization of thermal plants. This regulatory change hit Rodeio Bonito's EBITDA (-EUR 0.4m). Given the substantial drought of previous past years, it is likely that the Ensured Energy (definition page 15) will be decreased by between 5 to 10% in the coming years. On the other hand, the Group announced it had signed long term, secured contracts for the period 2013-2016 with an approximate 5% rate hike p.a.

At the end of the 2013 fiscal year, the Group owns a concession portfolio of 860 MW (+37% compared to 2012), out of which 15 MW are under operation.

3. ACCOUNTING POLICIES, BASIS OF CONSOLIDATION, VALUATION METHODS

3-1 General

The consolidated financial statements as of 31 December 2013 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 2013 on March 18th, 2014 and approved the publication of the full consolidated financial statements. The accounts will be submitted for approval by shareholders at the General Assembly.

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 2013 are:

Amendment to IFRS 7 – Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities

Amendments to IAS 32 – Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

IAS 12 Income Taxes - Deferred Tax: Recovery of Underlying Assets

IFRS 13 - Fair Value Measurement

IFRIC Interpretation 20 - Stripping Costs in the Production Phase of a Surface Mine

AMENDMENTS to IAS 1 – Presentation of Items of Other Comprehensive Income - and to IAS 19 – Employee Benefits (16 June 2012)

These amendments and interpretations did not have a significant impact on the 2013 Group financial statements.

Norms, Amendments to norms and interpretations, adopted and applicable but not yet mandatory on the 2013 accounts have not been adopted by the Group and especially:

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities

IAS 27 Separate Financial Statements

IAS 28 Investment in Associates and Joint Ventures

Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance (Amendments to International Financial Reporting Standards 10, 11, and 12)

Investment entities (Amendments to International Financial Reporting Standards 10, IFRS 12, and IAS 27)

Impairment of Assets (Amendments to IAS 36)

Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)

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 2013 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 IAS 1.99.

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;
- financial income
- financial 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;
- 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 applies 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.

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 3 and IAS 27.

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 presented under 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 impact 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 planned nor likely in a foreseeable future, are booked in foreign currency translation reserve in the Group's equity and comprehensive income and do not impact the net result, according to the provisions of IAS 21 norm's following paragraphs « net investment in a foreign operation ». When the investment (net) is taken out of the perimeter, this foreign currency translation reserve is reclassified in the Group's net profit.

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 measured as the difference between:

- the aggregate of (i) the value of the consideration transferred (generally at fair value), (ii) the amount of any non-controlling interest, and (iii) in a business combination achieved in stages (see below), the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree, and
- the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed (measured in accordance with IFRS 3).

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 fair 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 asset resulting from the development (or an internal project development phase IAS 38.57) or the development cost of a project to "intangible assets" item 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

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.

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 respective production units.

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.

To date, no Power Purchase Agreement (PPA) having been signed with conceding authorities for any concession owned by the Group, IFRIC 12 has not been applied to those assets. Depending on the concession, the norm may apply and impact the respective asset's classification in case such PPA would be signed.

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, generally 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.

- Intangible 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 (selling fees included) and its value in use determined by estimating the future cash flows generated by the asset.
- Intangible assets with an indeterminate useful life: they are subject to an impairment test at the level 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 in case there are clues of losses in their value. Impairment is recognized in the income statement.

- 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 in case there are clues of losses in their value.

- 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 or significant 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 the other elements of the net comprehensive income. 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 or significant.

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 equivalents are booked at their fair value; Variations in fair value 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.

I) 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.

J) Inventories

Stocks mainly consist of non-strategic spare parts required for the operation of plants. They are valued at cost price or mark-to-market price, if the latter is less than the purchase price. No inventory has been recognized at the end of 2013 financial year.

K) Accounts receivable/Accounts payable

Accounts receivable and accounts payable are valued at their fair value 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.

L) 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 used against future profits 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.

M) 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.

N) Pension commitments and similar

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

O) 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, implicit 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.

P) 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. Thus sales are accounted as gross sales in the Group's turnover.

Q) 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.

R) 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.

S) 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.

T) 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 2013, 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 2013.12	% of Interest 2013.12	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 2013.12	% of Interest 2013.12	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
FLOW TECH HYDRO ENERGY PVT LTD	Plot No. 85, Bapuji Nagar, Near UP School, Bhubaneswar, Orissa - 751 009	Full integration	0%	0%	Created on 6/11/2007 - Sold on 24/12/2013
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 2013.12	% of Interest 2013.12	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 23/04/2007

Brazilian Companies	Adress	Method of Consolidation	% of control 2013.12	% of Interest 2013.12	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 29/12/2005
SPE RODEIO BONITO	Avenida Getúlio Vargas, n. 283 S, 3º andar, sala 303 Centro – Chapecó CEP 89.802-001 Santa Catarina	Full integration	100%	100%	Created on 22/08/2007
QUEBRA DEDO HIDRELETRICA	Rua São Tomé, 86 cj 192. Vila Olímpia CEP 04551-080, São Paulo	Full integration	100%	100%	Created on 01/02/2008
PIRAPETINGA HIDRELETRICA	Rua São Tomé, 86 cj 192. Vila Olímpia CEP 04551-080, São Paulo	Full integration	100%	100%	Created on 28/02/2008
IBUTURUNA HIDRELETICA SA	Rua São Tomé, 86 cj 192. Vila Olímpia CEP 04551-080, São Paulo	Full integration	100%	100%	Created on 03/04/2008
Company in Luxembourg	Adress	Method of Consolidation	% of control 2013.12	% of Interest 2013.12	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 2013.12	% of Interest 2013.12	Comments
VELCAN ENERGY MAURITIUS LIMITED	Level 2 Alexander House 35 Cybercity, Ebène, Republic of Mauritius Republic of Mauritius	Full integration	100%	100%	Created on 16/04/2009
Company in Peru	Adress	Method of Consolidation	% of control 2013.12	% of Interest 2013.12	Comments
VELCAN ENERGY PERU SAC	Av. Javier Prado Oeste 795 Magdalena del Mar, Lima - Perú	Full integration	0%	0%	Created on 30/06/2010 - Wound up 08/03/2013
Company in Singapore	Adress	Method of Consolidation	% of control 2013.12	% of Interest 2013.12	Comments
VELCAN ENERGY SINGAPORE PTE LTD	20 CECIL STREET #14-01 EQUITY PLAZA SINGAPORE (049705)	Full integration	100%	100%	Created on 06/05/2011
HYDRO LAOS INVESTMENT PTE LTD	20 CECIL STREET #14-01 EQUITY PLAZA SINGAPORE (049705)	Full integration	100%	100%	Created on 04/06/2013
HYDRO LAOS INVESTMENT 2 PTE LTD	20 CECIL STREET #14-01 EQUITY PLAZA SINGAPORE (049705)	Full integration	100%	100%	Created on 19/11/2013

Representative Office in Lao Republic	Adress	Method of Consolidation	% of control 2013.12	% of Interest 2013.12	Comments
REPRESENTATIVE OFFICE OF VELCAN ENERGY DUBAI HOLDING LTD	16/229 Setthathirath 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 2013.12	% of Interest 2013.12	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	85%	85%	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

Two new companies were incorporated in Singapore:

- Hydro Laos Investment PTE LTD
- Hydro Laos Investment 2 PTE LTD

One company has been wound up in Peru:

- Velcan Energy Peru SAC

One company was sold in India:

- Flowtech Hydro Energy Pvt Ltd

5. CURRENCY RATES

1 € =	31.12.2013		31.12.2012	
	Closing rate	Average rate	Closing rate	Average rate
BRL (Brazilian Real)	3,26	2,87	2,70	2,51
INR (Indian Rupee)	85,37	77,88	72,56	69,09
AED (Dirham UAE)	5,05	4,88	4,85	4,72
USD (Dollar US)	1,38	1,33	1,32	1,29
PEN (New Peruvian Soles)	3,85	3,65	3,37	3,44
SGD (Singapore Dollar)	1,74	1,66	1,61	1,61
IDR (Indonesian Rupiah)	16 765	13 923	12 714	12 087
NOK (Norwegian Krone)	8,36	7,81	7,35	7,48

6. NOTES ON THE BALANCE SHEET AND INCOME STATEMENT

Note 1 – Goodwill

There is no Goodwill shown in the consolidated balance sheet as of 31 December 2013 (14 k€ in 2012).

Note 2 – Intangible Assets

Intangible assets as of 31 December 2013 are detailed as follows:

<i>In thousands of euros</i>	Development costs	Intangible assets in progress	Licenses, patents and rights	Other intangible assets	Total
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
Gross value					
Opening balance at 01.01.2013	3 798	19 771	1 561	9	16 094
Foreign Currency translation	(575)	(2 613)	(265)	(1)	(3 453)
Change in perimeter	-	-	-	-	-
Acquisitions	10	4 567	-	2	4 578
Disposals/Impairment	(303)	(1 118)	-	(10)	(1 432)
Restatements	-	-	-	-	-
Other movements	-	-	-	-	-
Closing balance at 31.12.2013	2 930	20 606	1 296	0	24 833
Amort./Dep./Prov.					
Opening balance at 01.01.2013	(480)	(8 359)	(197)	(9)	(9 046)
Foreign Currency translation	87	1 155	41	1	1 283
Change in perimeter	-	-	-	-	-
Amort./Dep./Prov. for the period	(142)	(676)	(60)	(2)	(880)
Disposals/WB on prov.	48	1 071	-	10	1 129
Restatements	-	-	-	-	-
Other movements	-	-	-	-	-
Closing balance at 31.12.2013	(486)	(6 810)	(217)	0	(7 513)
Net closing balance at 31.12.2013	2 444	13 797	1 079	0	17 320
Gross value	2 930	20 606	1 296	0	24 833
Cumulated Amort./Dep./Prov.	(486)	(6 810)	(217)	0	(7 513)
Net closing balance at 31.12.2013	2 444	13 797	1 079	0	17 320

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: 3.475 k€
- Direct costs incurred on hydroelectric projects under development: 13.843 k€

The most significant changes are:

- activation of development fees on projects under development: 4.6 m€
- impact of FX variation: 2.1 m€
- impairment/disposal/provision/depreciation (net of written back-provision): -1.1 m€
 - Of which Rodeio Bonito: -0.7 m€

Note 3 –Tangible assets

Tangible assets as of 31 December 2013 are detailed as follows:

<i>In thousands of Euros</i>	Land and Buildings	Technical installations	Vehicles	Furniture computer equip.	Other	Tangible assets in progress	Total
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
Gross value							
Opening balance at 01.01.2013	22 510	329	83	159	2	10	23 092
Foreign Currency translation	(3 830)	(24)	(14)	(17)	(0)	(1)	(3 886)
Change in perimeter	-	-	-	-	-	-	-
Acquisitions	15	-	1	4	0	-	21
Disposals/Impairment	0	-	-	(2)	(2)	-	(4)
Restatements	0	(0)	-	0	(0)	-	(0)
Other movements	-	-	-	-	-	-	-
Closing balance at 31.12.2013	18 695	304	70	145	0	8	19 223
Amort./Dep./Prov.							
Opening balance at 01.01.2013	(3 099)	(169)	(46)	(80)	(0)	-	(3 394)
Foreign Currency translation	627	15	9	8	0	-	659
Change in perimeter	-	-	-	-	-	-	-
Amort./Dep./Prov. for the period	(845)	(40)	(11)	(14)	-	-	(909)
Disposals/WB on prov.	0	4	-	4	-	-	8
Restatements	0	0	-	(0)	-	-	(0)
Other movements	-	-	-	-	-	-	-
Closing balance at 31.12.2013	(3 317)	(190)	(48)	(82)	(0)	-	(3 636)
Net closing balance at 31.12.2013	15 378	115	22	63	0	8	15 586
Gross Value	18 695	304	70	145	0	8	19 223
Cumulated Amort./Dep./Prov.	(3 317)	(190)	(48)	(82)	(0)	-	(3 636)
Net closing balance at 31.12.2013	15 378	115	22	63	0	8	15 586

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 15 370 k€

The negative variation of the Brazilian Real led to a largely negative exchange variation of this asset (about -EUR 3.2m). Accumulated amortization on this tangible asset amounts to EUR 3.1m. This variation excludes a Forex impact of 0.9 m€ for the year, which represents the main part of the Group amortization expenses for 2013.

Note 4 – Non current financial assets

Velcan Renewable Energy Pvt. Ltd. owns a stake in an Indian Group specialized in Civil Works and Heavy Infrastructure Construction. The company is 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 1.3 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:

- Derivatives (options) : 0.6 m€
- Equity of listed and non-listed vehicles: 0.4 m€
- Various security deposits and loans granted by the group: 0.2 m€

Note 5 – Other non current assets

Other non-current assets are detailed as below :

<i>In thousands of euros</i>	31.12.2013	31.12.2012
Trade of carbon credits	-	-
Taxes on profits		
Other non current receivables	77	201
Gross amounts	77	201
Depreciations	-	-
Net amounts	77	201

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:

<i>In thousands of Euros</i>	31.12.2013	31.12.2012
Tax Payable	(398)	(342)
Deferred taxes	562	537
Income or taxes related to fiscal integration	-	-
Tax income (+) and Expenses (-)	164	194

The asset side of deferred tax relates to activation of current year deficits of Velcan Energy Luxembourg subsidiary (+562 k€).

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

<i>In thousands of euros</i>	31.12.2013	31.12.2012
Net income	(4 124)	4 260
Net profit of investment accounted for using the equity method	-	-
Income tax	164	194
Income before tax	(4 288)	4 066
Theoretical profit (+) or expense (-) tax at rate of 33,33%	1 429	(1 355)
Permanent differences	(156)	1 655
Deficits of recognized as assets or not (1)	(1 204)	64
Other (2)	95	(170)
Tax Income (+) and Expenses (-)	164	194
Actual rate of taxation	3,8%	-4,8%

(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, partially activated (*)

(2) 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.

(*) Cumulated deficits of other entities (Mainly French, Indian, Brazilian and Singaporean 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 previously owned two Biomass power plants in India, named Satyamaharshi (SMPCL) and Rithwik (RPPL). As of 31 December 2013, the payment arrears claimed by Velcan Energy for its period of ownership, amount to EUR 2.3m, before interest. These arrears are related to a dispute between the Association of Biomass Producers of the State of Andhra Pradesh and their client APTRANSCO. These amounts have been provisioned at 100% while awaiting the outcome of this dispute.

The hydro power sales receivables related to part of Rodeio Bonito power production amount to EUR 325,000. Payment has been received at time of writing.

<i>In thousands of Euros</i>	31.12.2013	31.12.2012
Biomass electricity customers in India	2 282	2 685
Provision on Biomass electricity customers	(2 282)	(2 685)
Hydro electricity customers	325	376
Total	325	376

Note 8 –Other Current Assets

The other current assets item is broken down as follows :

<i>In thousands of Euros</i>	31.12.2013			31.12.2012		
	Gross	Prov.	Net	Gross	Prov.	Net
Trade of carbon credits (1)	654	(492)	162	886	(514)	372
Carbon credit production (2)	16	-	16	20	-	20
Tax and social receivables	99	-	99	142	-	142
Other receivables	206	-	206	261	-	261
Total	975	(492)	483	1 309	(514)	796

(1) The part reported as “other current assets” corresponds to carbon credits to be delivered by the end of the first period of Bagepalli project. Due to the CERs’ falling price, a partial provision has been booked in order to reflect the real market price (see 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 EUR 0.37 versus EUR 0.45 at 31 December 2012 and VERs (Voluntary Emission Reduction) are valued at EUR 0. Details are given in the table 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
31.12.2013		Bagepalli	Bagepalli	SMPCL	RPPL
Non Current Assets	Receivables (Unaudited) in				
Current Assets	Stock (Audited)		31 947	43 862	
	Receivables (Unaudited) in	19 503	11 068	-	30 104
	Total Tons	19 503	43 015	43 862	30 104
	Unit Value	7,50	0,37	0,37	-
	Valuation (k€)	146	16	16	-

Note 9 – Cash & Cash equivalents

The Cash is invested as follows:

<i>In thousands of Euros</i>	31.12.2013	31.12.2012
Investment securities	65 116	85 945
Cash	18 930	4 956
Gross active cash in balance sheet	84 046	90 901
Current creditor bank accounts	-	-
Total net cash balance	84 046	90 901

As of 31 December 2013, the Group's cash & cash equivalent balance by currency, excluding derivatives instruments, is broken down as follow:

- US Dollars (USD) 63%
- Euros (EUR) 14%
- Indonesian Rupee (IDR) 10%
- Singapore Dollars (SGD) 6%
- Brazilian Reals (BRL) 5%
- Others 2%

As of 31 December 2013, the Group's cash & cash equivalent balance by currency, including derivatives instruments, is broken down as follow:

- US Dollars (USD) 74%
- Singapore Dollars (SGD) 34%
- Brazilian Reals (BRL) 5%
- Others 3%
- Euros (EUR) - 17%

Note 10 –Equity

Capital :

As of 31 December 2012, the capital of the Velcan Energy Group consists in 7 779 742 shares with a par value of 1.00 Euro, i.e. 7 779 742 Euros. It is fully paid up. It has been updated at the *Registry of the Paris Commercial Court* on January 6th 2014 to 7 780 942 shares with a par value of 1.00 Euro, i.e 7 780 942 euros following a Cash Capital increase which took place during the year (see below)

Own Shares:

As of 31 December 2013, the Group holds 1.796.034 own shares. As the closing stock-price of 12.10 €, those own shares have a market value of 21.7 m€. In accordance with IFRS rules, those shares reduce shareholders' equity by the amount of the initial acquisition cost and the unrealized gain on own shares is not taken into account in the consolidated result.

Change in number of shares :

<i>In number of shares</i>	31.12.2013	Unit Price	31.12.2012	Unit Price
At beginning of the period	7.779.742	1.0	7.779.542	1.0
Cash Capital increase on 16 April 2012			200	1.0
Cash Capital increase on 7 March 2013	600	1.0		
Cash Capital increase on 12 July 2013	600	1.0		
At the end of the period	7.780.942	1.0	7.779.742	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 2013, the cumulative conversion reserves represent an unrealized loss of EUR -9.8m, booked against equity, versus a net unrealized loss of EUR -2.3m at the end of 2012.

<i>In thousands of Euros</i>	On Retained Earnings and Equity	On LT Interco Loans	Total
unrealized cumulative exchange loss on conversion reserves			
Opening balance at 01.01.2013	(3 182)	932	(2 249)
Variation in 2013	(1 461)	(6 045)	(7 505)
Closing balance at 31.12.2013	(4 642)	(5 112)	(9 755)

Equity warrants

Equity warrants issued (to employees management or contractors) offer the possibility of applying for company shares under the conditions described below.

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	23.04.2013	23.04.2013
Total number of equity warrants allocated	10 000	28 000	40 000	390 000	4 500	6 000	11 500	434 600	8 000
Number of equity warrants existing on 31/12/2013	6 000	14 000	40 000	390 000	2 000	6 000	9 000	434 600	8 000
Number of equity warrants exercisable on 31/12/2013	6 000	14 000	40 000	390 000	2 000	1 500	2 250	4 500	3 000
Number of equity warrants exercised on 31/12/2013	4 000	3 500	-	-	-	-	-	-	-
Allocation date	26/10/2005	20/02/2009	20/10/2009	09/12/2009	09/04/2010	03/01/2011	21/03/2012	23/04/2013	23/04/2013
Expiry date	26/10/2015	31/12/2015	31/12/2017	31/12/2017	09/04/2020	03/01/2021	21/03/2022	23/04/2023	23/04/2023
Subscription price in euros	12,46 €	7,50 €	8,00 €	8,25 €	8,70 €	12,00 €	10,50 €	10,00 €	21,40 €

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	22.04.2013	22.04.2013
Total number of options allocated	9 000	6 000	74 500	77 500	22 000	21 000	12 000	35 800	8 000
Number of options existing as at 31/12/2013	5 000	6 000	1 000	5 000	2 500	10 000	8 000	35 800	8 000
Number of options exercisable as at 31/12/2013	5 000	6 000	1 000	5 000	2 500	2 500	2 000	3 000	3 000
Number of options exercised as at 31/12/2013	-	-	-	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	22/04/2013	22/04/2013
Expiry date	10/04/2017	29/05/2017	27/02/2018	20/02/2019	09/04/2020	03/01/2021	21/03/2022	22/04/2023	22/04/2023
Subscription price in Euros	20,03 €	22,16 €	27,70 €	7,50 €	8,70 €	12,00 €	10,50 €	10,00 €	21,40 €

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

Fair value has been estimated with Black & Scholes model and following assumptions: the discount rate used for the evaluation of equity warrants corresponds to the OAT accrued at the date of maturity of the French treasury bonds and Stock volatility is estimated on the closing price of 100 cumulative days before each respective Board.

Note 11 – Non-current and current Financial liabilities

Non-current and current Financial liabilities relate mainly to derivatives instruments (options and forward forex with unrealized loss, booked in the income statement).

Note 12 – Non-current provisions

Non-current and current provisions cover the following risks:

<i>In thousands of Euros</i>	31.12.2012	Allowance	Reversal	Forex Difference	Reclas- sification	31.12.2013
Provision for retirement payments (1)	28	-	(2)	(4)	-	22
Provision for disputes (2)	883	-	-	(132)	-	750
Other provision for expenses	(0)	-	-	-	-	(0)
Total Provisions (non-current liabilities)	910	-	(2)	(136)	-	772
Provision for disputes	0	25	-	-	-	25
Total provisions (current liabilities)	0	25	-	-	-	25
Total provisions	910	25	(2)	(136)	-	797

(1) As of 31 December 2013, 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 2013). 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 (INR 15 m, or EUR 176,000 at 2013 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 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 (INR 21.3m or EUR 250,000 at 2013 closing rate) 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 filed, 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 EUR 267,000 (at 31/12/2013 closing rate), corresponding to EUR 176,000 per the share purchase agreement and additional EUR 91,000 of interest from 01 January 2007 to 15 November

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2009, date of the filing of the suit. (Amounts stated at closing rate, interest rate of 18% per year claimed until the payment).

2. Regarding the payment of receivables, for a total amount of EUR 395,000 (at 31/12/2013 closing rate), corresponding to EUR 250,000 of principal and EUR 145,000 of interest from 1st April 2006 up to the filing of the suit. (Interest rate 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 EUR 117,000 (at 31/12/2013 closing rate) plus interest. The Group is considers this demand as frivolous as the other claims and has not made any complementary provision.

These 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 750 k€ on 31 December 2013, 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.

Note 13 – Other non-current liabilities

These pertain to advances received of which the reimbursement is subject to certain conditions. Whatever the case, the Group believes that the conditions for the reimbursements will never be realized.

Note 14 – Trade and other Payables

Suppliers and other creditors are detailed as follows:

<i>In thousands of euros</i>	31.12.2013	31.12.2012
Suppliers	36	193
Debts on acquisition of fixed assets (1)	209	250
Others	57	169
Total	302	613

(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 (EUR 176,000) concession not paid so far.

Note 15 –Other current liabilities

These are mainly tax and social debts.

Note 16 – Business Segment

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

31.12.2013 <i>In thousands of Euros</i>	Europe	South America (2)	Middle East & Africa	Asia	Total
Income Statement					
Turnover	158	4 437	-	-	4 595
Current operating profit	(1 359)	1 721	1 064	(1 127)	299
EBITDA (1)	(1 244)	2 884	736	(1 189)	1 187
Net Income	(340)	1 299	(4 568)	(515)	(4 124)
Balance Sheet					
Total non-current assets	2 864	18 769	3 948	11 352	36 933
Employees registered at the end of the period	-	3	2	43	48

31.12.2012 <i>In thousands of Euros</i>	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

(1) The EBITDA corresponds to Earnings Before Interest Taxes, Depreciation and Amortization

(2) In 2012, the negative and low net result for South America area is mainly due to provision and depreciation of Intangible assets under construction of Brazilian projects under development. The result of Rodeio Bonito is positive and the net non current assets of this company amounts to 18 m€ as of 31/12/2013.

Note 17 – Consumed purchases

<i>In thousands of euros</i>	31.12.2013	31.12.2012
Raw materials and supplies	-	-
Goods	(593)	(416)
Other purchases	(0)	(16)
Sales, allowances on purchases	(10)	12
Total	(604)	(420)

Note 18 – External expenses

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

<i>In thousands of Euros</i>	31.12.2013
KPMG	45
JPA	25
BDO	8
Others	10
Total	88

Note 19 –Employee expenses

Total average number of employees

Number	31.12.2013	31.12.2012
Engineers and executives	31	25
Office workers and Manual workers	21	27
Average registered number of employees	52	52

Note 20 – Key management personnel compensation

- short-term employee benefits (1):	888 k€	
- post-employment benefits	NA	
- other long-term benefits	NA	
- termination benefits		NA
- share-based payment benefits (2)	5 k€	

(1) Employment benefits for five key management/administrators personnel

(2) Gain on exercise of stock-options or equity warrant by key management/administrators personnel

Note 21 - Depreciation and provisions

In thousands of Euros	31.12.2013	31.12.2012
Intangible assets		
Amortization	(204)	(290)
Provision allowance (1)	(675)	(2 813)
Write Back on provision/Disposal (2)	902	946
Total Intang. Assets	23	(2 157)
Tangible assets		
Amortization (3)	(909)	(1 089)
Provision allowance	-	(168)
Write Back on provision	-	-
Total Tangible Assets	(909)	(1 257)
Other prov. and dep. (net)		
- other op. Exp.(4)	22	(36)
- liabilities and charges (5)	(23)	900
Total other	(2)	865
Total amort., dep. and prov.	(888)	(2 549)

(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 12 above

Note 22 – Other operational income and expenses

Other operating expenses essentially arise mainly from depreciation of abandoned projects in Indonesia and Laos, amounting to EUR -0.9m and the non-cash impact of a compulsory confiscation of part of the Rodeio Bonito asset in Brazil (EUR -0.2m). Those elements, without cash impact, are classified as other elements without cash impact in the Cash Flow Statement.

Note 23 – Net cost of debt and other financial income and expenses

<i>In thousands of Euros</i>	31.12.2013			31.12.2012		
	Income	Expenses	Total	Income	Expenses	Total
Net debt cost (-) / Net debt revenue (+)						
Income from cash and cash equivalents	3 457	-	3 457	3 476		3 476
Fair Value on cash and cash equivalent	139	(417)	(278)	854		854
Interest charges		(190)	(190)		(141)	(141)
Total Net debt cost (-) / Net debt revenue (+)	3 596	(607)	2 989	4 330	(141)	4 188
Other financial income and expenses						
Foreign currency translation gains	1 414		1 414	2 144		2 144
Foreign currency translation losses		(5 125)	(5 125)		(2 041)	(2 041)
Unrealized gain/loss on Financial instruments		(2 294)	(2 294)			-
Provision/Write back on financial assets	0	(0)	(0)	-	(0)	(0)
Other financial income	-		-	522		522
Other financial expenses		(468)	(468)		(8)	(8)
Total Other financial income and expenses	1 414	(7 887)	(6 473)	2 666	(2 049)	617
Total financial result	5 010	(8 494)	(3 484)	6 995	(2 190)	4 805

Note 24 – Earnings per share

The calculation of earnings per share is detailed below.

	31.12.2013	31.12.2012
Net earnings (in thousands of euros)	(4 092)	4 290
Weighted average shares in circulation (1)	5 992 880	6 220 411
Earnings per share (in euros)	(0,68)	0,69
Weighted average of convertible instruments converted into ordinary shares (2)	6 205 159	6 291 712
Diluted earnings per share (in euros)	(0,68)	0,68

(1) After deduction (addition) of weighted average treasury shares depending on their date of acquisition (Sale)

(2) After addition of weighted average impact of convertible instruments (Stock-Option and equity warrant) existing as of December 31st, 2013

Note 25 –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 INR 20m (EUR 234,000)
- ii) Specific guarantee linked to a claim between RPPL and one of its supplier, limited to INR 11m (EUR 129,000)
- iii) Specific guarantee linked to a claim between RPPL and its customer Aptransco, with no limited amount, estimated by the Group in the worst case scenario to EUR 238,000.

Whatever guarantees were given to RPPL 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.

- 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 (EUR 209,000 claimed, before interest).
- 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 EUR 337,000.

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 12 (2) (i) above, worst case scenario risk of EUR 750,000)

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 26 – 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.

Exchange Risk

The Group is exposed to six currencies:

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

As of 31 December 2013, no hedging has been taken on the asset conversion risk nor on risk of conversion of past or future income.

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

Forex Risk	Variation	Impact (k€)	
		Turnover	Comp. income
EUR/BRL	10%	444	648
EUR/USD	10%	0	6127
EUR/SGD	10%	0	978
EUR/NOK	10%	0	43
EUR/IDR	10%	0	74
EUR/INR	10%	0	129

Rate Risk

Velcan's available cash is mainly invested in monetary funds, fixed deposits, sovereign bonds and private bonds, in EUR, USD 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%	840

Note 27 – Events after 31 December 2013

At this report's date, Velcan Energy SA and Velcan Energy Luxembourg SA entities have initiated the process of cross-border merger aiming at the absorption of Velcan Energy SA by Velcan Energy Luxembourg.