

Press release

Paris, 12th May 2010

VELCAN ENERGY: ANNUAL RESULTS 2009

**Operational cost decrease and increase of shareholder equity,
Consolidation of the Group position in India and Brazil,
Start of the first hydro power plant,
Start of prospection in new countries**

- Net income, group share: Eur + 11.4 Million
- Net Cash Position: Eur 85.9 Million
- Hydro Power assets portfolio: 458 MW

The Velcan Energy Board of Directors meeting on May 7th, 2010, approved the Group results for the 2009 financial year. The accounts will be submitted for approval to the Annual General Shareholders' Meeting, on June 29th, 2010.

	2009	2008
Operating revenue (k€)	4 260	3 960
Ebitda (k€)	-3 517	-6 639
Net income, group share (k€)	11 411	-21 721
Net Cash & Cash equivalents (M€)	85.9	92.1
Shareholder equity (M€)	125.5	116.7
MW under concession / exclusivity (*)	435	435
MW in operation	22.5	15

(*) Does not include various transactions under assessment or technical study neither modifications that happened after the 31st December 2009. As of April 2010, the portfolio under concession has increased by 200 MW in India (see infra).

▪ **Management comments on the year**

Jean-Luc Rivoire and Antoine Decitre, Co-Managing Directors declare: "2009 has been a year of restructuring. We have consolidated our hydropower pure player strategy. The Group is now much better positioned for the future."

Like in 2008, 2009 was mainly devoted to the consolidation and the development of the hydroelectric projects acquired by the Group in 2007, but also to the disinvestment by the Group of its biomass based projects. The impact of the deterioration of the global economic situation has continued in 2009, with very low electricity prices in Brazil for most of the year. The Group has continued to reduce its operational costs to adapt to this environment.

In Brazil, the projects of PCH Rio Claro, estimated between 30 and 70 MW, have been abandoned due to non techno-economic viability.

The Group successfully commissioned its first hydroelectric power plant, Rodeio Bonito - 15 MW. It is a very important step in the development of the Company. The commissioning happened only 3 and a half years after the arrival of the Group in Brazil. As of December 31st, 2009, electricity was marketed with monthly contracts.

In India, the Group continued the development of the projects obtained in 2007, all being currently in phase of investigation and techno-economic study. Procedures for environmental and techno-economic authorizations are going on.

At the end of the year, the portfolio of Indian hydroelectric projects amounted to 359 MW. However the studies conducted by the Group resulted in trying to obtain a 200 MW increase in the capacity of the concessions of Arunachal Pradesh. This increase in capacity, taking the Indian portfolio to 559 MW, was obtained in April 2010.

As in 2008, both in India and in Brazil, the slowness of the administrative procedures generated delays in obtaining the environmental authorizations and construction authorizations. The duration of these delays is difficult to predict.

The Group kept focusing on hydroelectricity in 2009. It sold the biomass based thermal power plant Rithwik Power Projects Ltd (RPPL, 7.5 MW). The transfer agreement was concluded on December 28, 2009 and the transfer of ownership took place at the end of February 2010 with a positive impact on the 2009 accounts.

During the year, the RPPL plant experienced better performances than in 2008. On the other hand, the power plant Satya Maharshi Power Corporation Limited (SMPCL) has stopped operations since July 22, 2009, because of a turbine breakdown. The total electricity generation only proved slightly higher than that exported in 2008. SMPCL being the only plant to generate carbon credits, their production in 2009 was reduced.

The world economic situation maintained its negative impact on the investment visibility in the short and medium term of the Group in Brazil. The situation started improving from the last quarter of the year. The growth in Brazil makes it possible again to expect the sale of the electricity of the Rodeio Bonito power plant at satisfactory tariffs in the medium term with a long term contract. The Group is still cautious on the evolution of the electricity demand in this country.

Economic growth in India, as in the rest of Asia, on the other hand was very strong.

The favorable evolution of the Brazilian Réais rate resulted in a foreign exchange profit of 6.3 M€ and a latent profit of 4.9 M€, adding 11.2 M€ to the 2009 net result of the Group. This profit was made on a 40 M€ investment in Brazilian Government bonds carried out in April 2008. Moreover, in 2009, the annual latent foreign exchange profit on the long-term loans in foreign currencies granted to subsidiaries, without impact on the net income but impacting the stockholders' equity, amounted to 7.5 M€. This brings back the total impact of monetary conversions of the aforesaid loans on shareholders' equity of the group to + 1.2 M€.

▪ **Foreseeable evolution of the Group**

With the end of the construction of its first hydroelectric power plant, the Group enters a second phase of its development. The Group has been existing for 5 years. During the first 3 years, it tried to develop in India and in Brazil by testing hydroelectricity and different technologies of energy generation based on biomass utilization. The group did not get satisfactory results in the biomass sector. But it had successes in hydroelectricity. Particularly in India where it owns a hydroelectric concession of 500 MW, which, taking into account the age and size of the Company, is very unusual. Brazil made it possible for the Group to build and start a power plant within a very short time.

The group naturally focused on hydroelectricity. Becoming a pure player allowed the Group to gradually reduce its operational costs since the beginning of 2009. Except a catastrophic evolution of foreign exchange rates and of electricity demand in Brazil, the operational costs (technical studies and overheads) from now on are largely covered by the turnover of the Rodeio Bonito plant and the interests on the company's cash. This enables the Group to keep its cash for investments in the next hydroelectric power plants. The current organization makes it possible to start the prospection in new countries with low marginal costs.

The Group obtained its successes in India and in Brazil at a time when these countries were not yet really seen as growth engines of the global economy. It is now the case and competition for the concessions is much more intense than five years ago. It is necessary now to look for additional countries, with macro-economic characteristics showing that their growth will accelerate in the near future. The Group hopes that it will have in this group of new "Bric" the same success as that obtained in India and Brazil.

In this second phase of growth, the Group has the following goals:

In the short run:

- the diversification of the risks to which it is exposed by establishing itself in new countries, as already done in Laos at the beginning of 2010;
- the start of the construction of a second hydroelectric power plant, if possible in 2010, more probably in 2011.

In the medium term:

- The complete development of the 500 MW concessions in Arunachal Pradesh, so that construction can start as planned in 2013.

- **Main events in 2009**

May 2009, the Brazilian Parliament approves a Law which would give the priority to the national groups in the event of competition for obtaining hydroelectric concessions of a capacity lower than 50 MW, thus putting at risk the development of Velcan Energy in Brazil.

June 2009, the above mentioned Law is voted, but the President of the Republic of Brazil opposes his veto to the differentiation between the national and the foreign players.

June 2009, abandonment of the studies of the projects of Rio Claro - State of Goais - Brazil, with an estimated potential of 70 MW. The projects do not appear viable from a techno-economic point of view.

August 2009, turbine breakdown and stop of operation of the Satya Maharshi plant. The operations have not resumed at the date of this report.

November 2009, start of the Rodeio Bonito hydroelectric power plant (15 MW), after synchronization with the grid in the beginning of October. Successful commissioning of the three principal turbines (14 MW).

December 2009, execution of an agreement to sell the biomass based thermal plant Rithwik Power Projects Ltd (7.5 MW). The transfer of ownership took place at the end of February 2010.

December 2009, the Kairos Partners fund acquires shares of the Company and notifies that it holds a combined participation of 799.069 shares, representing more than 10% of the issued share capital of Velcan Energy.

Summary Balance Sheet at 31/12/09

in k€

ASSETS	31/12/09	31/12/08	LIABILITIES	31/12/09	31/12/08
NON CURRENT ASSETS	41,665	27,673	Equity, group share	125,634	116,724
			Minority interests	(148)	(11)
CURRENT ASSETS	91,279	96,512	TOTAL EQUITY	125,486	116,713
o/w cash & equivalents	85,864	93,269	Provisions	2,078	470
			Financial debts	(0)	1,140
			Other Liabilities	5,380	5,862
TOTAL ASSETS	132,944	124,185	TOTAL LIABILITIES	132,944	124,185

2009 Annual Results

VELCAN^{Energy}

Summary income statement

in k€

	2009	2008
Revenues	4,260	3,960
Depreciation, amortization & provisions	(4,956)	(2,105)
Current operating income	(8,473)	(8,654)
Income from operating activities	(5,714)	(19,261)
Financial income (loss)	16,887	239
Income tax	118	(2,713)
Share in net income of associates	-	-
Minority interests	(119)	(14)
Net result, group share	11,411	(21,721)

2009 Annual Results

VELCAN^{Energy}

Cash flow statement

in k€

	31/12/09	31/12/08
Gross cash flow before financial interests and income tax	(2,691)	(12,757)
Income tax	(116)	2,713
Change in operating working capital	3,136	1,046
CASH FLOW FROM OPERATING ACTIVITIES	329	(8,998)
Change in Consolidation scope	148	(1)
Net tangible and intangible investments	(9,600)	(19,854)
Disposals and other investment flows	(3,748)	406
CASH FLOW FROM INVESTMENTS ACTIVITES	(13,200)	(19,449)
Dividends paid	-	-
Balance of reimbursement of debt / new debt	(597)	(1,045)
Net financial interests	14,669	3,303
Capital increase	-	13
Net acquisition of own shares	(9,563)	-
CASH FLOW FROM FINANCIAL ACTIVITIES	4,509	2,271
Impact of currency, accounting practices and other	956	(1,318)
OPENING CASH & CASH EQUIVALENTS	93,269	120,763
TOTAL CASH FLOWS FOR THE PERIOD	(7,406)	(27,494)
CLOSING CASH & CASH EQUIVALENTS	85,864	93,269

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Summary Information on Velcan Energy

- Velcan Energy is a Nyse Euronext listed Independent Clean Power Producer which builds and operates medium sized renewable energy power plants in India and Brazil
- The Company's strategy is to become a market leader in up to 200 MW renewable energy power stations in India, Brazil and Laos with a particular focus on the hydroelectric sector. Conditions are favourable for this type of plants because:
 - These countries suffer from serious under capacity in electricity production, particularly India where an estimated 650 million people do not have regular access to electricity
 - Under capacity has led to both Indian and Brazilian national governments liberalizing the state controlled electricity market and allowing increased private and foreign competition
 - Laos has a strategic position in South-East Asia, and can export to high power-demand growing countries such as Thailand, Vietnam, Cambodia and China.

- These countries have huge untapped hydroelectric potential; India with an estimated 100,000 MW, Brazil with an estimated 190,000 MW and Laos with an estimated 28 000 MW.
- As of May 2010, Velcan Energy
 - Operates 1 biomass power plant in India
 - Has commissioned its first hydro power plant in Brazil (15 MW)
 - Owns the rights to more than 635 MW of concessions and projects in India and Brazil (Group share).
 - Has an agreement with the Lao Government to develop 300 MW in Laos.
- 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 and thermal power plants.
- Velcan Energy is headquartered in Paris, and employs over 100 people, divided between its six administrative offices (Bangalore, Bhubaneswar, Dubai, New Delhi, Paris, and São Paulo), its existing power plants and project sites.

Disclaimer

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

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