



**Consolidated Financial Statements as of 30th June 2013
(Unaudited)**

VELCAN ENERGY
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FRANCE

SUMMARY

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CONSOLIDATED BALANCE SHEET ASSETS

Thousands of Euros

| Assets | Net 30.06.2013 | Net 31.12.2012 |
|---|-------------------|-------------------|
| Non current assets | | |
| Goodwill | - | 14 |
| Intangible assets | 17,590 | 16,094 |
| Tangible assets | 17,905 | 19,698 |
| Non current financial assets | 1,897 | 2,209 |
| Investments accounted for using the equity method | - | - |
| Other non current assets | 187 | 201 |
| Deferred tax assets | 1,316 | 941 |
| Total non-current assets | 38,895 | 39,158 |
| Current assets | | |
| Inventories | - | - |
| Trade and other receivables | 355 | 376 |
| Income tax receivables | 183 | 255 |
| Other current assets | 659 | 796 |
| Cash and cash equivalents | 88,954 | 90,901 |
| Total current assets | 90,150 | 92,328 |
| Total assets | 129,045 | 131,486 |

CONSOLIDATED BALANCE SHEET LIABILITIES

Thousands of Euros

| Liabilities | 30.06.2013 | 31.12.2012 |
|--|----------------|----------------|
| Shareholders equity | | |
| Issued capital | 7,780 | 7,780 |
| Additional paid in capital | 139,578 | 139,575 |
| Other reserves and conversion reserves | (20,823) | (22,822) |
| Net income for the year | (198) | 4,290 |
| Total shareholders equity | 126,338 | 128,822 |
| Minority interests | 92 | 74 |
| Total Consolidated equity | 126,431 | 128,896 |
| Non current liabilities | | |
| Non-current financial liabilities | 0 | 0 |
| Deferred tax liabilities | - | - |
| Non current provisions | 839 | 910 |
| Other non current liabilities | 855 | 645 |
| Total non-current liabilities | 1,693 | 1,556 |
| Current liabilities | | |
| Current financial liabilities | 190 | 0 |
| Current provisions | - | - |
| Trade and other payables | 338 | 613 |
| Income tax payables | 58 | 96 |
| Other current liabilities | 336 | 325 |
| Total Current Liabilities | 922 | 1,033 |
| Total Liabilities | 129,045 | 131,486 |

INCOME STATEMENT

Thousands of Euros

| Result | 30.06.2013 | 30.06.2012 |
|---|----------------|--------------|
| Net turnover | 2,307 | 2,552 |
| Other operating revenue | 20 | 27 |
| Total operating revenue | 2,327 | 2,580 |
| Consumed purchases | (303) | (51) |
| Changes in inventories | - | - |
| External expenses | (926) | (1,376) |
| Payroll expenses | (488) | (522) |
| Taxes | (33) | (36) |
| Depreciation, Amortization & Provisions | (554) | (1,250) |
| Current operating profit | 23 | (655) |
| Income on sale of equity shares | - | - |
| Other operating income and expenses | (37) | (43) |
| Operating profit | (14) | (698) |
| Financial Income | 1,541 | 4,705 |
| Financial expenses | (1,920) | (1,286) |
| Financial Result | (379) | 3,420 |
| Income tax | 186 | (522) |
| Profit of investments accounted for using the equity method | - | - |
| Net profit from continuing operations | (207) | 2,199 |
| Net profit from discontinuing operations | - | - |
| Profit, group share | (198) | 2,206 |
| Profit, minorities share | (9) | (7) |
| Earnings per share (in euros) | (0.03) | 0.35 |
| Diluted earnings per share (en euros) | (0.03) | 0.34 |
| | | - |
| EBITDA | 576 | 595 |
| | | |
| Statement of total comprehensive Income | 30.06.2013 | 30.06.2012 |
| Net income | (198) | 2,206 |
| Foreign currency translation comprehensive income | (2,054) | (2,087) |
| Total Comprehensive Income | (2,252) | 119 |

COMMENTS ON CONSOLIDATED FINANCIAL STATEMENTS

1. COMPANY PRESENTATION

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. It is currently targeting India, Brazil, Laos and Indonesia for its next investments.

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 July 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 628 MW in India, Brazil and Laos
- Has two pre-concessions in the Lao PDR for a total of 88 MW.,
- is at an advanced stage of prospecting in Indonesia with construction expected to start in 2014

Velcan Energy's technical team is composed of industry veterans.

Velcan Energy is headquartered in Paris and employs over 50 people in its administrative 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° et D 411-1 of the French monetary and Financial code.

2. MANAGEMENT COMMENTS / COMMERCIAL AND FINANCIAL MATTERS

Velcan Energy's turnover in the first half of 2013 (H1 2013) amounted to EUR 2.3m and came nearly exclusively from sales of Electricity by the Rodeio Bonito Hydro Power Plant (HPP) In Brazil. It was stable on a constant currency basis.

EBITDA for H1 2013 remained positive and stable at EUR 0.6m compared to the same period a year ago. Operating costs were down by 25% compared to H1 2012.

Operating profit was at breakeven in H1 2013 versus a loss of EUR -0.7m a year earlier.

Net financial income was negative at EUR -0.4m vs. EUR +3.4m in H1 2012.

Net result, Group share, was a loss of EUR -0.2m vs. a profit of EUR +2.2m in H1 2012.

During H1 2013, the group continued its stock repurchase program (36.617 shares). Following these purchases, the number of shares outstanding is 5.983.708. The latest purchase was done in April 2013.

Shareholders equity amounts to EUR 126.3m at 30th June 2013 vs. 128.8m at 31 December 2012. Book value per share is thus EUR 21.14.

Comment by zone of activity:

In Brazil, Cost of Goods Sold (EUR 0.3m) include to a great extent payments in favor of MRE (Energy Reallocation Mechanism). This scheme allows its members to compensate production shortfalls relative to an historical average. The Rodeio Bonito HPP amply benefited of this scheme during the drought of 2012. However, given the impact of this drought, the MME (Ministry of Mines and Energy) decided (« Resolução nº 03 dated 06/03/2013) that all agents of the electricity market would have to contribute to the incremental cost of thermo electrical generation.

Furthermore, the Group also signed contracts to sell its production for the period from June 2014 to December 2016. Thus, Velcan Energy has sold over 90% of its Brazilian production over the next three years.

In India, the Group continued to develop the hydroelectrical concessions obtained in 2007 in the State of Arunachal Pradesh. The teams are working on land acquisition, obtaining the necessary local and central administrative authorizations as well as finalizing technical and economic studies. The Group passed a major milestone on one of the three projects with the successful filing of the Detailed Project Report (DPR) for Tato-1 (186MW) with the Central Electricity Authority (CEA). Velcan Energy is confident that this will lead to a Techno-Economic Clearance (TEC) by the CEA in the first half of 2014.

In Laos the group announced other major advances, on the Nam Phouan project in particular, as feasibility studies were validated. Planned capacity was revised up to 52MW following the granting of the environmental clearance. The Group also increased the probability of success of the Nam Ang Tabeng project.

The Group continues prospecting, at various stages of development in Indonesia. Progress on these projects is encouraging.

3. COMMENTS ON THE FINANCIAL STATEMENTS

3.1. EFFECTIVE FOREIGN EXCHANGE RATES

| 1 € = | 30.06.2013 | | 31.12.2012 | |
|--------------------------|--------------|--------------|--------------|--------------|
| | Closing rate | Average rate | Closing rate | Average rate |
| BRL (Brazilian Real) | 2.91 | 2.67 | 2.70 | 2.51 |
| INR (Indian Rupee) | 77.65 | 72.29 | 72.56 | 69.09 |
| AED (Dirham UAE) | 4.78 | 4.83 | 4.85 | 4.72 |
| USD (Dollar US) | 1.30 | 1.31 | 1.32 | 1.29 |
| PEN (New Peruvian Soles) | 3.71 | 3.49 | 3.37 | 3.44 |
| SGD (Singapore Dollar) | 1.65 | 1.63 | 1.61 | 1.61 |
| IDR (Indonesian Rupiah) | 12,948 | 12,835 | 12,714 | 12,087 |
| NOK (Norwegian Krone) | 7.90 | 7.52 | 7.80 | 8.02 |

3.2. COMMENTS ON THE BALANCE SHEET

ASSETS

Intangible Assets

The Group continued to develop its concessions in India, Laos and Indonesia (EUR 2.4m of gross intangible assets in H1 2013). The effect of currency fluctuations (EUR -0.7m) partly offsets that contribution and intangible assets therefore only accrued by EUR 1.5m to EUR 17.6 vs. EUR 16.1m.

Tangible Assets:

Tangible assets amounted to EUR 17.9m at 30th June 2013 versus EUR 19.7m at 31 December 2012, a decline of EUR 1.8m. This decline was mostly due to effect of the weakening Brazilian Real (EUR -1.3m) on the book value (in Euros) of Rodeio Bonito and, to a lesser extent, to the depreciation of that same asset (EUR -0.5m).

Non-current financial assets:

These assets declined in part because of the negative effect of a two-year forward sale of Euros against Singapore Dollar (EURSGD) for an amount of EUR 25m. The impact of this operation is EUR -0.6m at 30th June 2013 relative to 31st December 2012.

Cash and Cash Equivalents:

Cash and Cash equivalents amounted to EUR 89.0m at 30th June 2013 vs. EUR 90.9 at 31st December 2012. This decline was due to the acquisition of Treasury shares (EUR -0.4m) and to currency fluctuations.

The Group is progressively aligning its treasury position with its future investment needs. Indeed the US Dollar is the effective currency for a number of markets that Velcan is targeting, in particular for capital goods.

At 30th June 2013, the cash position is in the following currencies (excluding forward foreign exchange transactions):

- US Dollars(USD) 63%
- Euros (EUR) 14%
- Indonesian Rupiah (IDR) 12%
- Singapore Dollar (SGD) 7%
- Other 4%

Proforma exposure including forward foreign exchange is as follows:

- US Dollars (USD) 74%
- Singapore Dollar (SGD) 35%
- Euros (EUR) -14%
- Other 6%

LIABILITIES

Non current liabilities :

Non-current liabilities are broadly stable at constant exchange rates.

Current Liabilities:

Current liabilities at 30th June 2013 amount to EUR 0.9m vs. EUR 1.0m at 31st December 2012. Current Financial liabilities increased by EUR 0.2m because of the impact of the forward foreign exchange transactions. However, trade payables declined by EUR 0.3m.

3.3. COMMENTS ON THE INCOME STATEMENT

EBITDA continued to be positive during H1 2013 (EUR 0.6m vs. EUR 0.6m in H1 2012). Net result Group Share was a loss of EUR -0.2m vs. a profit of EUR 2.2, mainly because of adverse currency moves.

CURRENT OPERATING PROFIT :

Turnover :

Electricity sales of the Rodeio Bonito HPP in Brazil amounted to EUR 2.3m in H1 2013 vs. EUR 2.6m in H1 2012. Turnover expressed in local currency (BRL) was stable.

Depreciation, Amortization and Provisions, Provision write-backs:

Depreciation and amortization of tangible and intangible assets amounted to an expense of EUR 0.6m. This expense was mainly attributable to Rodeio Bonito HPP. Provision and amortization of tangible and intangible assets expense of projects in development was more than offset by provision write-backs.

FINANCIAL INCOME

Net financial income for H1 2013 was negative EUR 0.4m. The Group received EUR 1.5m in Financial income excluding Foreign exchange, down slightly compared to H1 2012 (EUR 1.8m) This decline is a consequence of the low interest rate environment. The rise of the Euro relative to most of the currencies in which the Group cash position is held (USD, IDR and SGD in particular) had a significant impact on the net financial income (EUR -1.9m).

COMPREHENSIVE INCOME

Comprehensive Income for H1 2013 amounted to a negative EUR -2.3m vs. EUR +0.1m in H1 2012. The impact of currency fluctuations on Group equity was EUR -2.1m. This variation has two main reasons:

- For the most part, the weakening of the Brazilian Real impacted the book value of Rodeio Bonito HPP.
- To a lesser extent, weaker emerging market currencies impacted the book value of intangible assets related to projects in development (India in particular)

4. SIGNIFICANT EVENTS AFTER 30TH JUNE 2013

July 2014: Velcan gives details of its portfolio of projects in Indonesia and mentions, amongst others, two projects of 59MW and 62MW capacity and advanced discussions for a 7MW project. Construction of the 7 MW project should start in 2014.

September 2013: The Group announces the successful filing of the Detailed Project Report (DPR) for Heo (240MW) with the Central Electricity Authority (CEA). Velcan Energy is confident that this will lead to a Techno-Economic Clearance (TEC) by the CEA in the second half of 2014.

September 2013: Velcan announces the successful public hearing for Tato-1 project in India. This public hearing is an important step in view of obtaining the Environmental Clearance for the project.