

Press Release

Paris, April 23<sup>rd</sup>, 2012

## ANNUAL RESULTS 2011 : SIGNIFICANT LOSS DUE TO BRAZILIAN OPERATIONS AND REAL'S LOSS OF VALUE, PRESERVATION OF CASH

### MAIN DATA

	<u>2011</u>	<u>2010</u>	<u>Var. %</u>
Revenues (M€)	5,4	3,8	+44%
EBITDA (M€)	-0,1	-1,2	+93%
Net Income (M€)	-3,1	9,0	-135%
Shareholder Equity (M€)	132	139	-5%
Cash and marketable securities (M€)	97	98	-1%
Concession Portfolio	628 MW	593 MW	+6 %
Book value per share (€) (net outstanding equity)	20,7	21,6	-4%

2011 was a halftone year for Velcan Energy.

In Brazil the company continued to operate the Rodeio Bonito concesssion (15 MW). The plant's financial performance was satisfactory. The plant suffered from technical problems that now seem to be under control. However the company did not experience significant improvement in the procedures of its projects under development in Brazil. Given the length observed in these procedures, the Company re-evaluated these projects and decided to provision them very significantly. The impact on 2011 accounts amounts to 4.5 million Euros.

In India the group continued to develop its 500 MW concession in Arunachal Pradesh. Given this asset's size, which will produce the equivalent of 3 million people power consumption in India, the administrative procedures & technical studies are necessarily long and complex, and should continue at least until 2013.

In Lao PDR the group obtained a second exclusive pre-concession called Nam Ang Thabeng. The group is also pursuing the development of Nam Phouan, its first Laotian project. Following initial feasibility studies, preliminary discussions have been initiated with Electricité du Laos about the project's electricity sales contract.

Group's financial products were significantly lower than in 2010 due to forex losses. The Group sold its Brazilian sovereign bonds in September 2011 in order to reduce exposure to the Brazilian Real. These bonds were yielding a rate of 10%. Financial products at constant exchange rates were stable compared to 2010 (around 7.1 million Euros). It has not been possible, since then, to find such returns for the Group's treasury. As a consequence, the Group's financial products at constant exchange rates should decrease in 2012. In order to improve financial products, the Group began to invest a portion of its cash into riskier investments (stocks, corporate bonds...).

Throughout the year, the Group suffered a net foreign exchange loss of around 3.3 million Euros.

Full-year operation of Rodeio Bonito dam contributed to the improvement of the group ebitda, increased from -1.2 million Euros to -0.1 million Euros.

Net income was significantly impacted by the Brazilian project portfolio depreciation, foreign exchange loss and lower interest income. It falls down from a profit of 9 million Euros to a loss of 3.1 million Euros.

The Group is still actively prospecting new countries and always targets a portfolio of 1000 MW exclusive hydroelectric concessions within a few years.

In view of the losses, the Board of Directors does not propose the shareholders to pay a dividend for the year 2011.

# Summary Balance Sheet at 31/12/11

in k€

ASSETS	31/12/11	31/12/10	LIABILITIES	31/12/11	31/12/10
<b>NON CURRENT ASSETS</b>	<b>40,581</b>	<b>47,449</b>	Equity, group share	132,702	138,940
<b>CURRENT ASSETS</b>	<b>99,476</b>	<b>102,137</b>	Minority interests	(235)	(290)
o/w cash & equivalents	97,066	98,139	<b>TOTAL EQUITY</b>	<b>132,467</b>	<b>138,651</b>
<b>TOTAL ASSETS</b>	<b>140,056</b>	<b>149,586</b>	Provisions	1,896	2,804
			Financial debts	1,119	1,424
			Other Liabilities	4,574	6,707
			<b>TOTAL LIABILITIES</b>	<b>140,056</b>	<b>149,586</b>

2011 Annual Results

VELCAN Energy

# Summary income statement

in k€

	2011	2010
<b>Revenues</b>	<b>5,390</b>	<b>3,720</b>
<b>Amortization &amp; Provisions</b>	<b>(6,440)</b>	<b>(2,322)</b>
<b>Current operating income</b>	<b>(6,528)</b>	<b>(3,519)</b>
<b>Income from operating activities</b>	<b>(7,334)</b>	<b>(1,674)</b>
<b>Financial income (loss)</b>	<b>3,831</b>	<b>11,021</b>
<b>Income tax</b>	<b>401</b>	<b>(369)</b>
<b>Share in net income of associates</b>	<b>-</b>	<b>-</b>
<b>Minority interests</b>	<b>42</b>	<b>(116)</b>
<b>Net result, group share</b>	<b>(3,144)</b>	<b>9,093</b>
<b>EBITDA</b>	<b>(88)</b>	<b>(1,197)</b>

2011 Annual Results

VELCAN Energy

# Cash flow statement

in k€

	31/12/11	31/12/10
Gross cash flow before financial interests and income tax	730	(740)
Income tax	(639)	234
Change in operating working capital	(163)	(950)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>(72)</b>	<b>(1,457)</b>
Change in Consolidation scope	(187)	(1)
Net tangible and intangible investments	(5,293)	(4,736)
Disposals and other investment flows	401	6,824
<b>CASH FLOW FROM INVESTMENTS ACTIVITES</b>	<b>(5,079)</b>	<b>2,087</b>
Dividends paid and Capital Increase	(594)	83
Balance of reimbursement of debt / new debt	-	-
Net financial interests	3,832	13,314
Capital increase	-	-
Other cash flows	-	(2,292)
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>	<b>3,238</b>	<b>11,105</b>
Impact of currency, accounting practices and other	855	540
<b>OPENING CASH &amp; CASH EQUIVALENTS</b>	<b>98,124</b>	<b>85,864</b>
<b>TOTAL CASH FLOWS FOR THE PERIOD</b>	<b>(1,058)</b>	<b>12,276</b>
<b>CLOSING CASH &amp; CASH EQUIVALENTS</b>	<b>97,066</b>	<b>98,139</b>

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## Summary Information on Velcan Energy

- Velcan Energy 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 among others India, Brazil and Laos. 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.

- In April 2012, 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 600 MW in India, Brazil and Laos (Group share),
  - has an agreement with the Lao PDR Government to co-develop 300 MW,
  - is actively prospecting in new emerging markets.
  
- Velcan Energy's technical team is composed of industry veterans and is one of the most experienced in the world in the construction and operation of hydroelectric and thermal power plants.
  
- Velcan Energy is headquartered in Paris, and employs over 50 people divided between its administrative offices (Bangalore, Paris and São Paulo) and concession sites.

**Disclaimer**

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*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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