

Press release

Paris, 12th May 2009

Annual Results 2008

Significant losses due to emerging markets currency exposure, depreciation of assets and operating costs. Modest decrease in portfolio size.

- Net income: - Eur 22 million
- Net Cash Position: Eur 92 million
- Hydro Power assets portfolio: 450 MW

The Velcan Energy Board of Directors meeting on April 21st, 2009, approved the group results for financial year 2008. The accounts will be submitted for approval to the Annual General Shareholders' Meeting, June 25th, 2009.

Significant decrease in book value, modest decrease in project portfolio.

	2008	2007
Operating revenue (k€)	3 960	5 932
Ebitda (k€)	-6 639	-2 099
Net income (k€)	-21 735	-920
Net Cash & Cash equivalents (k€)	92 129	118 238
Shareholder equity (k€)	116 713	145 019
Number of MW in operations	15	15
Number of MW in construction	15	15
Number of MW in project phase (*)	435	454

(*) By "in project phase" the Company means: power generation projects for which it holds a concession or exclusive rights prior to the award of a concession, and which are neither in construction nor operational. This does not include various transactions or various projects currently under evaluation or technical studies. The portfolio of MW in development is expressed in net share of the Group.

Management comment on year 2008

Jean-Luc Rivoire and Antoine Decitre, Co-Managing Directors declare: “2008 has been a difficult year for group. The group has been impacted significantly by the worldwide financial turmoil and the global economic downturn”

The financial year 2008 was mainly devoted to the consolidation and development of hydroelectric projects acquired by the Group in 2007, but also to the strengthening of the project portfolio in Brazil.

In Brazil, the portfolio has been strengthened by the addition, in varying stages of development, of three new hydroelectric projects raising the Brazilian portfolio to a total of 180 MW. All these new projects are under technical evaluation and a preliminary administrative phase. For only one of these new projects (Quebra Dedo, 16 MW), the Group holds an exclusive right.

The construction of the Rodeio Bonito plant has progressed. The project is delayed vis à vis the initial forecast, and operation will most probably begin in the third quarter of 2009, rather than in the first, as originally scheduled. The construction has been affected by successive distinct problems, though none of them was very significant. The addition of these problems has resulted in delays, especially towards the end of the construction.

Till date, the electricity that will be generated by the plant has not been marketed as yet. Given the current collapse of electricity prices in Brazil, the Group is no longer able to forecast revenues for this investment.

In India, the Group has continued the development of projects obtained in 2007, all of which are currently under investigation and techno-economic study. The procedures for environmental clearances have been initiated.

The Group has faced delays globally in the administrative processes for obtaining environmental and construction authorizations. Delays have been particularly important in the state of Orissa in India.

According to the strategy announced, the refocusing of activities on hydropower has continued during the fiscal year 2008. The Group has given up four licenses for the development of biomass power plants totaling 45 MW. The historically mediocre performance of the Group in the management of its two existing biomass plants has not encouraged the construction of new ones.

The two biomass based power plants of the Group in India, located in the State of Andhra Pradesh, Satya Maharshi Power Corporation Limited (SMPCL) and Rithwik Power Projects Pvt. Ltd (RPPL), have experienced long interruptions in operations during the year, due to major technical problems related to their turbines. This poor performance has led to significant depreciations of both the plants amounting to 9.3 M€

The global economic downturn has had a negative impact on the short and medium term investments visibility of the Group. The Group had planned to invest initially in Brazil, and

then in India. The sharp decline in global economic growth has canceled numerous investment projects of all kinds in Brazil. These projects were one of the main causes of the expected increase in power consumption. Now in their absence, it is difficult to assess what will be the demand for electricity in the short term. The logical consequence of this decline in activity in Brazil is a collapse in demand and electricity prices. However, construction costs, which had risen sharply in recent years have so far declined only slightly. Infrastructure being naturally long, construction companies are still occupied by sites for which contracts were awarded several months or several years ago. Given these two developments, lower electricity prices for electricity and relatively same construction costs, a project which construction would start today in Brazil would have great difficulty in finding any profitability. It is likely that this will be the case for the end of 2009 and 2010. The Group has no visibility beyond.

It is feared that global governmental stimulus plans, often based on an investment in infrastructure construction would limit the expected decline in construction costs.

In these conditions of reduced economic visibility, the Group will continue to develop its concessions and projects in the hope that economic conditions will stabilize in the medium term to levels enabling satisfactory profitability.

The unfavorable evolution of the Réais exchange rate led to the accounting of an unrealized exchange loss of 6,7 M€ in the consolidated financial statements of the Group as of 31st December 2008, about a placement made in April 2008 of 40 M€ in Réais. Moreover, as on 31st December, the unrealized exchange loss cumulated on foreign currency loans granted to subsidiaries, impacting the Group's equity, amounts to 6,3 M€.

In this context, the Group has registered a net loss of 21.7 M€ in 2008, an important increase in comparison with the net loss amounting to -0.92 M€ in 2007. The Group's equity has gone to 116, 7 M€, from 145 M€.

The strategy adopted for the coming years is to develop the portfolio of existing concessions, in order to execute the next stages of studies to validate the constructability and evaluate the economic viability of projects. During the same time the team will work towards obtaining the numerous clearances needed for the start of construction.

The Group will possibly develop some new concessions to compensate for any failures on existing concessions. Consequently the fixed costs should be of the same magnitude of those in 2008.

It is unlikely that the group will have other sources of operating income before 2013 than from the existing power plants, Satya Maharshi (7.5 MW Biomass) Rithwik (7.5 MW Biomass) and Rodeio Bonito (15 MW Hydro).

The main source of income of the group will remain its financial incomes from its cash. Given the collapse in interest rates, they will be significantly lower in the future than they were in the past.

Taking into account this situation, the Group is not able to provide financial forecasts for the coming years.

Financial results

Summary Balance Sheet at 31/12/08

in k€

ASSETS	31/12/08	31/12/07	LIABILITIES	31/12/08	31/12/07
NON CURRENT ASSETS	27,673	29,172	Equity, group share	116,724	145,019
			Minority interests	(11)	-
CURRENT ASSETS	96,512	124,321	TOTAL EQUITY	116,713	145,019
o/w cash & equivalents	93,269	120,803	Provisions	470	473
			Financial debts	1,140	2,565
			Other Liabilities	5,862	5,436
TOTAL ASSETS	124,185	153,493	TOTAL LIABILITIES	124,185	153,493

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VELCAN Energy

Summary income statement

in k€

	2008	2007
Revenues	3,960	5,932
Depreciation, amortization & provisions	(2,105)	(1,913)
Current operating income	(8,654)	(4,012)
Income from operating activities	(19,261)	(4,094)
Financial income (loss)	239	2,877
Income tax	(2,713)	297
Share in net income of associates	-	-
Minority interests	(14)	-
Net result, group share	(21,721)	(920)

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VELCAN Energy

Cash flow statement

in k€

	31/12/08	31/12/07
Gross cash flow before financial interests and income tax	(12,757)	(1,174)
Income tax	2,713	(297)
Change in operating working capital	1,046	(2,052)
CASH FLOW FROM OPERATING ACTIVITIES	(8,998)	(3,523)
Change in Consolidation scope	(1)	(300)
Net tangible and intangible investments	(19,854)	(10,551)
Disposals and other investment flows	406	(154)
CASH FLOW FROM INVESTMENTS ACTIVITIES	(19,449)	(11,005)
Dividends paid	-	-
Balance of reimbursement of debt / new debt	(1,045)	(630)
Net financial interests	3,303	1,034
Capital increase	13	78,708
Other cash flows	-	-
CASH FLOW FROM FINANCIAL ACTIVITIES	2,271	79,112
Impact of currency, accounting practices and other	(1,318)	103
OPENING CASH & CASH EQUIVALENTS	120,763	56,076
TOTAL CASH FLOWS FOR THE PERIOD	(27,494)	64,687
CLOSING CASH & CASH EQUIVALENTS	93,269	120,763

2008 Annual Results

VELCAN Energy

Summary Information on Velcan Energy

- Velcan Energy is a Nyse Euronext quoted 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 100 MW renewable energy power stations in India and Brazil with a particular focus on the hydroelectric sector. Conditions are favourable for this type of plants because:
 - Both 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 national governments liberalizing the state controlled electricity market and allowing increased private and foreign competition
 - Both countries have huge untapped hydroelectric potential; India with an estimated 100,000 MW and Brazil with an estimated 190,000 MW
- As of May 2009, Velcan Energy
 - Operates 2 biomass power plants in India
 - Is currently building its first hydro power plant in Brazil (15 MW)
 - Owns the rights to more than 435 MW of concessions and projects in India and Brazil (Group share).
- 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 200 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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