

Press Release

Paris, 10th September 2008

Velcan Energy signs a co-development agreement of 90 MW with the Electricity Company of the State of Goias.

Velcan Energy Brazil has signed a partnership agreement with the Brazilian Company CELG G & T to jointly develop 2 hydroelectric power plant projects:

- Pau d'Arco, 64 MW on the river Palma, in the State of Tocantins (Northern region of Brazil), (coordinates 12°22'39" S and 47°08'59" W), the inventory (*) of which has already been approved by ANEEL (the National Agency for Electrical Energy), which published, on 13th of June 2008 the administrative act n°. 2.240 formalizing the inclusion of Velcan Energy as co-holder of the project.
- 25 to 30 MW on the river Claro, in the basin of the river Araguaia (The State of Goias) for which the inventory has to be carried out.

(): Within the legal Brazilian framework, the development of hydroelectric projects is carried out in two major steps. The first one is the «inventory» which consists in establishing the longitudinal profile of the river in order to place the hydro power plants to the best of the public interest. The second one includes the preparation of the "simplified technical project" on the basis of which the concession contract is obtained (for projects under 30 MW) or the concession tender prepared (for projects of more than 30 MW).*

An Executive Committee, formed by professionals of the two companies, is leading the technical studies undertaken for the development of these projects, in conformity with the rules and directives of ANEEL.

The equity split of the project is 75 % (Velcan Energy) and 25% (CELG G & T)

Estimated schedule of the projects

- Duration of technical studies, procedures and administrative authorizations: 18- 24 months
- Negotiation and winning of the concession contract : 2010
- Scheduled start of construction: 2010 – 2011
- Scheduled start of the production: 2013

Jean Luc Rivoire and Antoine Decitre, co MD's: « With this partnership contract our development in Brazil is accelerating. Now having 4 projects to be built in the short term, we are developing our medium term project portfolio in order to assure the growth of our activities in Brazil for 6 to 8 years. Our Brazilian team is being regularly strengthened, and this allows us to undertake projects upstream in the administrative procedure. The Pau d'Arco project is our biggest project in Brazil till date. The fact that we have succeeded in signing a consortium agreement with an established entity such as CELG is in itself a proof of recognition of the quality of our team by the market ».

The CELG – Group CELGP

CELG was created in the fifties with the objective to develop production, transmission and distribution of electrical power in the State of Goiás. It remains till date the main company in the Center- West region of Brazil in charge of the power supply for more than 90 % of the State's population (close to 5 million inhabitants). It distributes an average of 1100 MW per month.

Following structural changes determined by the legislation regulating the electric sector in Brazil, mainly the procedure for separating power generation and distribution, the CELG has become the holding CELGP, a mixed economy company controlled by the State of Goiás, that reached in 2006 a gross turnover of more than R\$ 3 billion (€ 1,2 billion). Its activities in the power sector are looked after by two branches: CELG G & T, in charge of power generation and transmission; CELG D, in charge of power distribution.

The partnership with Velcan Energy was established as part of a strategy of the Group CELGP aiming to associate private companies to the development of hydroelectric projects – mainly those authorized by ANEEL (totalizing 503 MW, including the Pau d'Arco UHE), or those identified as viable.

Location of Velcan Energy projects



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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
 - Velcan Energy's goal is to obtain concessions for, construct and begin operation of 1 700 MW between India and Brazil
- As of September 2008, Velcan Energy
 - Has begun operation of 2 biomass power plants in India
 - Is currently building its first hydro power plant in Brazil (15 MW)
 - Owns the rights to more than 533 MW of concessions and projects in India and Brazil (Group share).
 - Is undertaking negotiations and investigations to acquire new concessions in India and Brazil.
- Over the lifetime of the concessions, approximately 5% of Velcan Energy's revenue is derived from the trade in carbon credits (CERs) generated, under the Kyoto Treaty, by the operation of renewable energy power plants, and normally sold directly to European and Japanese Industry
- 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.

- Reference shareholder of Velcan Energy is Financière Saint Merri SA, which reference shareholder is Crédit Agricole.

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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