Press release

FY 2010 Turnover: €82.4 million
Growth quickens the pace

Ormes, 24 February 2011

(€ million)	2010*	2009
H1	24.6	9.0
H2	57.8	20.0
Turnover	**82.4**	**29.0**
O. w. the Wind Turbine division	*67.4*	*16.7*
O. w. the Water & Solar division	*15.0*	*12.3*

** Unaudited figures*

2010: a change in dimension spearheaded by the Wind Turbine division

Vergnet wound up FY 2010 with turnover of €82.4 million, as against €29.0 million in 2009, thus manifesting the Group's announced change in dimension. This substantial increase in business was mainly due to development by the Wind Turbine division, which quadrupled its turnover to €67.4 million, as against €16.7 million in 2009, while the Water & Solar division reported an increase of more than 20%, adding €15.0 million to annual turnover vs. €12.3 million in 2009.

As envisaged, the faster pace of growth by the **Wind Turbine division** was due to the increasing weight of ongoing export contracts, particularly in Ethiopia, where a contract for 120 GEV high-power wind turbines had been launched in October 2009, and Nigeria, where another contract for 37 GEV medium-power turbines went live in May 2010.

Growth in the **Water & Solar division** was chiefly thanks to dynamic business by the Water arm: 4,500 pumps were delivered and installed in 2010, as against 4,300 in 2009. One landmark during the financial year was the long-term agreement signed up with the United Nations. This agreement confirms Vergnet's status as a major service provider for UN agencies financing rural water infrastructures. The Solar arm made a rather lower contribution to growth, and the focus was on R&D, with the development of new PV energy solutions for the water and rural electrification markets.

Keynotes of Wind Turbine business

Completion of phase I of the 120 MW contract signed with Ethiopia

The Ashegoda project in Ethiopia, a turnkey supply of a 120 MW wind farm package for the state power utility Ethiopian Electric Power Corporation EEPCo, has been planned in 3 phases: an initial phase featuring supply of the substation and delivery of 30 MW, currently ongoing, and a further two 45 MW phases. These phases are due for delivery respectively 16, 26 and 36 months after the project launch.

The last components of phase I are now being dispatched for gradual commissioning of the turbines over the second half of 2011. This discrepancy with respect to the original schedule should be offset by early commissioning of the turbines on phases II and III, thereby keeping the overall project calendar on target.

Implementation of a partnership with Alstom for phases II and III of the Ethiopian contract

Alstom and Vergnet are now making arrangements for long-term cooperation with a view to developing their industrial and commercial synergies. This process will commence with the inclusion of Alstom on phases II and III of the Ashegoda wind farm project, thereby speeding up project implementation and meeting the new EEPCo specifications following the international classification of Mekele airport in proximity to the site.

The international classification entailed changes to air corridors, and thus major alterations to the locations initially planned for the wind turbines forming part of phases II and III. This kind of change in the customer's contractual responsibility will require further wind surveys to be conducted to ensure that the Vergnet class 3 turbines (which can be lowered in the event of cyclones, but have been designed for regular low-turbulence wind patterns) are suited to the new mountain locations subject to stronger winds.

In view of the major oncosts that would be incurred by the surveys (schedule discrepancy caused by delays) and the risk that the equipment may not be suitable, Vergnet offered to install Alstom class 2 turbines for EEPCo, which are better equipped to cope with these winds and can be delivered on a shorter timeline.

In accordance with this proposal, during the final phase of negotiations with EEPCo Vergnet will retain full project management and subcontract Alstom to deliver and supply 54 ECO 74 wind turbines. This solution is to the benefit of all parties involved, and will enable Vergnet to free up its internal industrial capacity and make it easier to reallocate resources towards its main market: export cyclone and island zones, and also the market of French overseas *départements* (DOM). With respect to the DOM market, the Request For Proposals launched by the government at the end of 2010 will enhance business as of 2012.

Launch of a government RFP in the latter half of 2010 to boost the development of wind technology in French DOM overseas *départements*

The RFP launched by the French government at the end of 2010 forms part of the Grenelle Environment Round Table (50% of renewable energy - 362 MW to be installed by 2020 in the French overseas *départements*). The project is open to all wind turbine developers, and is simultaneously geared towards boosting wind technology resources as a major benefit for the DOMs, and also development of a new forecasting and storage technology to reinforce island networks.

The total installed power output for RFPs targeting Guadeloupe, Réunion, Martinique and French Guiana over the first 2 years will be 150 MW (70 MW for 2010, already underway, and a further 80 MW scheduled for a second tranche in 2011). The RFP procedure entails, on the first tranche, a deadline for submission of bids in May 2011, selection over the latter half of the year, and the first deliveries of wind turbines as of 2012.

As a historic wind technology player in French overseas *départements* for more than 17 years through its local subsidiaries, boasting a unique range of cyclone-protected turbines and innovative storage/forecasting technology, Vergnet is a major partner for plant developers overseas. This gives the company a substantial edge to resume operations on its historic market in 2012 with solid profitable growth dynamics.

Continued development of the Farwind MP market: 36 GEV MPs delivered in 2010

Development of the medium power export market continued in 2010 with a number of small-scale contracts signed up recently (Nevis Island, New Zealand, Chile, Rodrigues Island etc.), the May launch of the Nigerian contract (37 GEV MPs), and also some new contracts: Kenya (2 wind turbines), Japan (2 turbines) and Mauritania (16 turbines). The Mauritania contract, signed at the end of 2010, will commence over the next few weeks and will make a large contribution to economic performance in FY 2011.

Signature of an agreement protocol with Eneria, a subsidiary of the Monnoyeur group, concerning the development of a wind-diesel solution for isolated networks

Vergnet and Eneria, a subsidiary of the Monnoyeur group and distributor of Caterpillar engines, signed an agreement protocol on 23 February 2011 to develop a joint wind-diesel coupling solution.

Wind-diesel coupling in isolated areas where electricity production is chiefly based on fossil energy is an efficient means of reducing production costs, although it is often limited by a diesel plant which has not been designed for this application.

The Vergnet-Eneria agreement aims to combine Vergnet technology and the Caterpillar generator sets to perfect a highly innovative wind-diesel coupling system, fully integrated and automated, in order to produce major operating costs savings in windy areas.

A pilot facility will shortly be implemented at the Vergnet Group's Gommerville test site.

Outlook: continued solid growth in 2011 and 2012, requiring enhancement of Group equity

At 31 December 2010 the **Wind division** order book (excluding options) stood at **48 GEV MPs and 92 GEV HPs** (or their Alstom equivalent on the Ashegoda project), with a current status of 31 to 48 MPs and 45 - 55 equivalent HPs in FY 2011, and 0 to 17 MPs and 37 - 47 equivalent HPs in FY 2012 (according to the sequencing of the various projects).

Further solid growth in 2011 will be mainly due to development of the export contracts signed by the Wind division (Ethiopia, Nigeria and Mauritania), followed up by new contracts in French overseas *départements*, to be announced following selection of bids by the contracting authorities in the course of the latter half of the year.

With respect to FY 2010, Vergnet is expecting operating profits of between €-6.7 million and €-6.5 million, as against the €-5.5 million to €-4.5 million initially announced, following the addition of oncosts incurred by modifications to the Ethiopian project. Using the carryforward margin recognition method on this type of long-term contract, the oncosts affecting the overall project margin exert an influence on the margin booked in FY 2010. The oncosts as projected, set out in contract to the account of the EEPCo utility, are presently being discussed.

With respect to 2011 and 2012, Vergnet has now confirmed its growth and profits targets:

In 2011 the Group plans to secure turnover of more than €120 million (€102 million of which will be covered by its order book) through an upturn in earnings.

In 2012, Group growth across all its markets, especially the resumption of its DOM operations, indicates profitable growth with turnover running at more than €150 million.

Following a phase of investment for development and industrialisation of the GEV HP, acceleration of growth considerably increases the working capital requirement, making it necessary to boost Group equity in the short term. Thus in 2010 Vergnet entered into discussions with a number of industrial and financial partners in order to secure long-term solutions to enable the group to continue its steady development.

Next update

FY 2010 Results: 14 April 2011 after stock market close

About Vergnet SA

VERGNET SA was founded in 1988 by its current manager, Marc Vergnet, a long-time figure in sustainable development. VERGNET is currently the leading manufacturer in its two businesses: the design and production of wind turbines for the FARWIND® markets and water supply equipment in Africa. On the back of singular patented technologies, the Group has already installed close to 650 FARWIND® wind turbines and supplies water to over 50 million people worldwide. The FARWIND® market covers over 130 countries in which electricity is mainly produced from oil and where the infrastructure and limited logistical resources mitigate against the installation of conventional wind turbines. The Group has 9 facilities worldwide (France, Caribbean, Pacific, Indian Ocean, Africa) and has some 280 employees. The VERGNET Group has been listed on the Alternext market since 12 June 2007 (FR0004155240 – ALVER).

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