VELCAN Holdings

GROUP MANAGEMENT REPORT
CONDENSED NON-AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AUDITED STATUTORY FINANCIAL STATEMENTS

FINANCIAL YEAR ENDED 31st DECEMBER 2019

VELCAN HOLDINGS SA
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Velcan Holdings is a Luxembourg headquartered investment holding company founded in 2005, operating as an independent power producer in India and Brazil and managing a global portfolio of financial assets. The company owns and operates a 15MW hydro power plant in Brazil that it developed and built in 2009. Its major power project under development is a cascade of hydropower concessions located in India and totaling 571 MW.

Meanwhile Velcan Holdings actively manages its treasury, investing in listed and unlisted financial investments.

Non Audited Consolidated Financial Data in Million Euros

	31.12.2019	31.12.2018	Var %
§ Turnover	2.8	2.6	+10%
§ EBITDA	-1.4	-1.6	+15%
§ Net result	3.6	0.5	+566%
§ Cash & Financial assets	103	98	+5%
§ Cons. Equity	121	118	+2%

	POWER PROJECTS PORTFOLIO UPDATE	31/12/19	31/12/18
GLOBAL	**Portfolio of concessions and production facilities.**	586 MW	586 MW
BRAZIL	**Hydroelectric plant in operation**	15 MW	15 MW
INDIA	**Projects under development.**	571 MW	571 MW

2. About the Group

Velcan Holdings is a Luxembourg headquartered investment holding company founded in 2005, operating as an independent power producer in India and Brazil and managing a global portfolio of financial assets.

The company owns and operates a 15MW hydro power plant in Brazil that it developed and built in 2009. Its major power project under development is a cascade of hydropower concessions located in India and totaling 571 MW.

Hydropower concessions provide long periods of cash generation but their development outcome is uncertain and many years are needed to bring these projects to maturity in emerging countries: it involves field studies in remote places, the assessment of many different environmental and technical parameters, obtaining the necessary authorizations and permits and land acquisition in political and regulatory environments that can be unstable or heavily hampering.

Hydropower development requires the prospection of a large portfolio of projects because only a few ones will eventually present competitive techno-economic parameters combined with low environmental impacts and will manage to obtain all the required approvals and permits. The Group has brought to an advanced stage of development two of the three Indian projects, forming a tandem of 426 MW which present attractive technical and economical features. With these projects, the Group is expecting to take advantage of the promising long term perspectives of the Indian economy.

Meanwhile Velcan Holdings actively manages its treasury, investing in listed and unlisted financial investments. As of 31st December 2019, 16% of the assets of the group are deployed in power projects or plants, 84% in listed and unlisted financial investments, and cash and cash equivalents (bank current accounts and deposits).

Velcan Holdings' headquarters are in Luxembourg, with administrative and financial offices in Singapore and Mauritius. The team dedicated to the development of the Indian hydropower cascade is based in New Delhi and at the project site (Arunachal Pradesh), and the team dedicated to the Rodeio Bonito plant is based in Sao Paulo and Chapecó.

3. Main events, activities, financial position and foreseeable evolution

3.1. Activities and main events

A. Main events

During Fiscal Year 2019, VELCAN HOLDINGS Group continued developing and consolidating its existing hydropower concessions located in India (571 MW), and operated its Rodeio Bonito hydropower plant.

The Rodeio Bonito plant generation was stable compared to 2018. The generation remains very moderate due to precipitation levels still below historical average in 2019. At constant foreign exchange rates the turnover has grown (+13%) thanks to the inflation on selling prices. In Euro the turnover is up by 10% (EUR 2.8 m in 2019 vs EUR 2.6 m in 2018) with a stabilization of the Brazilian currency in 2019 (-3%). The EBITDA is up by 15% (EUR -1.4 m in 2017 vs EUR -1.6 m in 2018).

VELCAN HOLDINGS Group also continued to manage actively its treasury by diversifying its financial investments portfolio during the year with a good financial performance due to a slight appreciation of the USD against the EURO and 2019 financial year being an overall good year for financial markets.

In April 2019 the State of Arunachal Pradesh, where the Indian hydropower projects are located, issued an extension of time, until 27th September 2019, for enacting the “Section 11 notification”, which is the act by which the State Government decides it is appropriate to acquire the concerned land for public purpose, based on the completion of the first phase of the acquisition procedure.

Mid May 2019, the Company completed the buyback of 254,128 shares, in accordance with the description of the share buyback program published on September 13th, 2018.

In late September 2019 in Arunachal Pradesh, the State Government finally issued the Section 11 notification thereby deciding to acquire the required land (totaling 107.20 Ha) of the Group’s hydropower projects. The completion of this phase, especially obtaining the land owners’ consent, is a major milestone in the land acquisition procedure, although it does not yet resolve the land registry disputes.

The Company obtained on 7th November 2019 the approval from the Luxembourg Stock Exchange to transfer the listing of its shares on the Luxembourg Euro MTF stock market. The first listing on Euro MTF took place on 17th December 2019. Following the completion of the sales facility collection period requested by Euronext Paris, the Company was delisted from Euronext Growth Paris on 20th January 2020. Through this listing transfer, and in view of its size, the Company intended to simplify and optimize its organization by reducing the number of countries it intervenes in, and to do so by centralizing its corporate life in Luxembourg.

On 17th December 2019, the Company has launched a new buyback program which was completed on 13th March 2020. Under this program, the Company purchased 300,000 shares, representing 5.15% of its share capital. This program has been completed 12th March 2020.

Early February 2020, the land acquisition procedure was stopped by land owners in India. Following the section 11 notification on 26th September 2019, the District Administration had notified on 2nd December 2019 the land survey to be conducted in order to mark land boundaries on the ground and establish the final list of land owners, which is the basis of the financial allocations under the future rehabilitation plan and land compensations. The survey was scheduled between 10th February and 14th March 2020, to be conducted by District Administration. On 10th February’s several land owners have physically prevented the District administration to start the survey and claimed notably the immediate payment of benefits and that land disputes should be settled in court separately. Discussions between the State Government and the land owners in order to restart the procedure have started. However the village councils and committee meetings with land owners have been suspended due to the Covid-19 outbreak, as of the date of this report.

B. Activities overview

In India, the Group continued to develop the hydroelectric concessions obtained in 2007 in the State of Arunachal Pradesh. Techno-Economic Clearance (TEC), Environmental Clearance, Forest Clearance as well as most of the post TEC site investigations being complete for the tandem Heo-Tato-1 (426 MW), the Group focused on the main next development steps for these 2 projects, which are the land acquisition, the transport infrastructure, the amendment of the concession agreements, the stage 2 Forest Clearance and the preliminary search for a bankable Power Purchase Agreement (PPA). Sub-surface geological investigations could be restarted at the Pauk hydroelectric project power house site.

The above mentioned steps however mainly fall under the purview and responsibility of the State and Central Governments and the Group's scope of work in this regard is to file applications, to attend requests, to provide support to Government services and to follow-up and pursue the procedures.

During 2019 the land acquisition conducted by the State Government continued to progress, with the issuance in September of the Section 11 Notification, which marks the completion of the first phase of the procedure. It is a major milestone as it required the consent of the land owners and enacts the State Government decision to acquire the required land (totaling 107.20 Ha) for public purpose. It prevents any other land related transaction to take place and triggers the next steps of the procedure. However, the land survey and marking of boundaries, which is constitutive of the procedure next step and was scheduled between 10th February and 14th March 2020 was suspended. Several land owners physically prevented the District administration to start the survey, claiming about land disputes and financial compensations. As of the date of this report discussions have been initiated between the state government and the concerned owners. However the meetings between the Government and the land owners have been suspended due to the Covid-19 outbreak.

VELCAN HOLDINGS considers that as per the current concession agreement the land acquisition process and ownership disputes settlement are the exclusive responsibility of the licensing Government. The concession contract provides for an extension of the development period in case of any delay which is not the responsibility of the developer. Negotiations with the Government of Arunachal Pradesh for such an extension of the concession agreement are still opened but have not progressed since 2018.

The road infrastructures have progressed at a slow pace during 2019. No progress has been made by the Government of Indian regarding the fastening of the overall completion schedule. The scheduled dates of completion of the roads upgrade up to the projects site are still scheduled theoretically in 2022, but will most likely face significant delays of 2 to 3 years given that for some stretches the technical studies have not yet even been completed.

The Group continued to explore the Indian market and to conduct its preliminary search for a PPA during 2019. All the major Indian power traders (PPA brokers) contacted declined to take up the search for a PPA (Power Purchase Agreement) for Heo and Tato-1. The reason given is the lack of appetite of the market for long term hydropower PPAs. The commercial and financial market conditions have remained the same and still do not fulfil the requirements for the long term sale of hydropower, as the market remained constrained by the lack of proper regulatory framework for the sale of hydropower through long term bankable PPAs and the stressed financial position of electricity distribution companies (DISCOMS). Grid stability and the requirement for peak power have also become a growing issue for Run-of-the-River (ROR) hydro projects such as Heo and Tato-1 HEPs.

It must be noted that one year after the announcement of the new hydropower policy by the Government of India, the implementation regulation has yet to be issued. It is a major problem and disappointment as the new policy will have no effect on the market until the implementation regulation is issued and enforced.

The whole Indian power market and especially the hydropower sector are characterized by a lot of uncertainty. Although it is always difficult to precisely determine the timetable for the projects, the aggregation of the abovementioned factors may lead to several years' delays in the implementation of the

Heo and Tato-1 HEPs. The issues and factors to be considered have been detailed in chapter I.4.1 of this report.

An additional provision or Eur 2.2 million (15%) has been decided for FY 2019 on the intangible value of the Indian projects, in view of the uncertainties of the Indian market and the delays encountered. This brings the total provision to Eur 4.4 million (30%), considering the previous provision booked in 2017 (EUR 2.2m).

In Brazil, the Rodeio Bonito Hydropower plant (15 MW) recorded a stable production of 49 113 MWh in 2019, -2% below the 2018 generation (49 987 MWh in 2018). However the turnover when converted in the Brazilian currency (BRL) was up thanks to the inflation. Payments to the MRE (Energy Reallocation Mechanism, definition and explanation in chapter I.4.2 of this report) were down at EUR 0.2m in 2019 vs. EUR 0.4m in 2018. The EBITDA of the plant (earnings before interests, taxes and amortization) amounted to BRL 9.3m against BRL 7.3m in 2018. When converted in EUR, the EBITDA was up to EUR 2.1m vs 1.7m in 2018 despite a 3% depreciation of the average rate of the Brazilian currency vs Euro currency between 2018 and 2019 thanks to an inflation in electricity selling prices.

Financial Assets: as it has done since 2005, and very actively since 2008, the Group has kept managing its treasury to cover the operational costs and provide financial returns. The Group has invested over the years in an extremely diversified array of financial assets including mostly : corporate and government bonds in local and reserve currencies, equities, derivatives, direct lending and private equity investments.

In 2019, the group main investments have been mainly in corporate bonds again. After an important increase between the beginning of 2016, year when the exposure was EUR 28.9m and 2017, the exposure has then stabilized to 49.9 m at 2017 year end to 50.1 m at 2018 year end. The exposure in corporate and government bonds has further increased over 2019 to reach 57.4m at year end.

The group is mainly exposed to issuers in the BBB, BB, B and Non Rated categories (as defined by Standard & Poor’s). The maturities span a wide range. The majority of the bond portfolio has a maturity of less than 6 years. There are however a few that are of perpetual nature. In 2019 the group invested in majority in USD bonds, from issuers coming both from developed markets and emerging markets. At year end the biggest lines of the Group are with the following issuers:

a) above EUR 2.0 m of exposure : UBS AG (Switzerland), COMCEL TRUST (Guatemala), OMAN TELECOMMUNICATIONS LTD (Oman) and the republic of Argentina.

b) above EUR 4.0 m of exposure : CMA CGM (France) and its susbsidiary NEPTUNE ORIENT LINES LTD (Singapore) , Olam (Singapore), BBVA Bancomer (Mexico), NORDDEUTSCHE LANDESBANK GIROZENTRALE (Germany), TRAFIGURA GROUP PTE LTD (Singapore)

At constant exchange rates, the performance on the bond investments was impacted by the holding in the Republic of Argentina. Apart from that, these bond investments had performed very well in 2019. The Group also benefited from the strengthening of the US dollar. The Group has invested in bonds since 2008 and it has proved a good way to enhance the profits of the Group so far. The Group evaluated that the prices of some of the bonds it held as of year-end 2019 where high and provided more downside than upside risk. These bonds were sold or let expire without reinvestment. As on 31/12/2019 the bond portfolio had a value of EUR 56.6m (excluding accrued interests). On the 14th of February the bond portfolio had been reduced to EUR 42 m (excluding accrued interests). Since then the current market crisis linked to the covid-19 epidemic has significantly decreased the value of this portfolio. As of the 14th of April, these same bonds had a value of EUR 36.1m to which an additional EUR 0.4 m has been added for a total value of EUR 36.5 m. The decrease is of approximately 14% since mid-February, which is in the range of the market decline for such bonds. The Group does not expect to sell most of these bonds in the short term. Thanks to the US Federal Reserve announcements the news flow has been more positive on the High Yield Bonds asset class recently. But it has to be noted that this is still an illiquid asset class where prices are more difficult to ascertain than before. The Groups relies for its evaluation on information from its banks and the Reuters system. Among others the current situation has increased the riskiness of the exposures of the Group to the Republic of Argentina, the CMA CGM Group, Trafigura and NordLB.

As of December 2019, the Group also owns private investments worth EUR 2.8m including private equity and direct lending. Most part of Private equity and direct lending investment are invested in the shipping sector. Given the recent poor performance of this sector these investments have contributed negatively to the performance of the Group between 2016 and 2019. In 2016 the Group, as part of the management of its USD treasury, has accorded a direct senior loan of USD 1.6 Million to a third party for financing the acquisition of a chemical tanker. The loan was secured by a first preferred mortgage. Since then the borrower has defaulted and the vessel has been arrested in Nigeria by other alleged creditors. The loan has been restructured with a new borrower and the Group has engaged procedures to lift the arrests and recover its dues. Several arrests have already been lifted. As of 31st December 2019 the principal amount plus various recoverable expenses related to the recovery of the said loan amounts due under the restructured loan is USD 5.2 m. The amount due by the new borrower remains secured by a first rank mortgage on the said vessel. To the extent that the recoverability of the loan will depend ultimately on the resolution of the legal disputes in relation with the ownership of the vessel and potentially the enforceability of the mortgage, a partial impairment has been booked in the accounts. Due to litigations, the impairment amount is kept confidential. The Group is actively monitoring these investments in the shipping sector to try to maximize their value.

As of December 2019, the Group had investments worth EUR 6.7 m in listed equities of which EUR 2.4 m were equity shorts to hedge the portfolio holdings and EUR 0.9 m in Gold ETFs and gold mining equity. Until the Covid-19 related crisis, the Group believed the equity markets provided no sufficient reward vs the risks entailed by their level. Given the market turmoil and heavy decreases of listed equity price levels, the Group increased its equity exposure to listed equity in 2020.

As of the 14th of April 2020, the general equity exposure was of EUR 21.1 m. Of which EUR 6.97 m where equity shorts to partially hedge the portfolio holdings. In addition to this, the Group held in its Commodity asset class 5.4m EUR of Gold ETFs and gold mining stocks. Depending on stock market evolutions, the Group may increase further or decrease its equity exposure.

The Group has divested its position in hedge funds, which was EUR 7.9 min 2018.

The Group has also investment worth EUR 0.6 m in mutual fund in India.

Additionally, as of December 2019, the Group had investments worth EUR 8.2 m in US T-Bill (having less than 3 months maturity).

As of December the Group financial assets were mostly exposed to the US Dollars.

Finally a significant part of the treasury of the Group was kept in cash or cash equivalents (EUR 27.2m equivalent) of the end of 2019. Recent movements in US Treasury rates means that 8.3m of the cash was placed in Treasury Bills and 19m in shorter term deposits.

2.1 Unaudited and condensed financial statements

A. Income Statement

Turnover amounted to EUR 2.8m (against EUR 2.6m in 2018, a 10% increase), mainly from electricity sales. The turnover in local currency increased by 13% with inflation on electricity sale prices. The depreciation of the Brazilian currency vs the Euro currency was responsible for a 3% decrease.

Current operating results amounted to EUR -4.3m (against -2.8m in 2017):

- Payments by Velcan for the MRE (Energy Reallocation Mechanism) were EUR 0.2m in 2019 vs. EUR 0.4m in 2018.

- Depreciation and amortization of tangible and intangible assets of Rodeio Bonito plant amounted to EUR 0.7m (EUR 0.7m in 2018), while depreciation on intangible projects under development was EUR 2.2 vs an amount of NIL, due to the provision passed on Indian projects, in 2019.

- Staff expenses amounted to EUR 2.6m in 2019 vs EUR 2.9m in 2018. The Group employed on average 21 permanent employees in 2019.

External expenses are totaling EUR 1.5m in 2019 vs EUR 1.5m in 2018 and include audit fees as detailed below as well as:
- EUR 0.5m of expenses related to Rodeio Bonito operation
- EUR 0.2m of rental expenses
- EUR 0.8m of investment management, legal, accounting, consultancy and bank fees
- EUR 0.1m of travel and entertainment expenses
- EUR 0.1m of insurance premiums

In thousand of euros	31.12.2019	31.12.2018
Statutory auditor fees (BDO Luxembourg)	10	10
Consolidated audit fess (BDO Luxembourg)	-	-
Other Annual accounts auditor fees (BDO)	15	20
Total	**25**	**30**

Net Financial Gain for the group amounted to EUR 8.1m in 2019 mostly because of the overall good performance of the financial markets in 2019 and the USD appreciation (2% compared to end of 2018) and its impact on the Group's cash and financial assets position (see breakdown per currency in chapter I.7.4.). This gain of 8.1m compares to EUR 3.1m in 2018.

In 2018, other operating income consisted mainly of divestment gains on Indonesian assets while the costs were fully impaired (EUR 0.5m of gain in 2018). This figure was NIL in 2019 as no divestment on projects was made.

Income tax expense amounted to EUR -0.2m in 2019 vs EUR -0.2m in 2018.

The net result, Group share, was EUR 3.6m in 2019 FY compared to EUR 0.5m in 2018 FY.

The Group's EBITDA (earnings before interests, taxes, depreciation and amortization) reached EUR -1.4m compared to EUR -1.6m in 2018.

The slight depreciation of BRL (-1.2%) and INR (Indian Currency - -0.3%) rates when compared to Euro, at 2019 closing date, has slightly negatively impacted the other comprehensive income, as the Group's main investments (tangible and intangible) have been done in local currency (EUR -0.1m in 2019 against EUR -1.7m in 2018). The total comprehensive income amounts to EUR 3.4m in 2019 against EUR -1.2m in 2018.

B. Balance sheet

Assets:

Net intangible assets stands at 11.9m in 2019 and are down by EUR 1.7m versus 2018, mostly because of the provision of EUR 2.2m of Indian assets.

Net tangible assets stands at 8.0m in 2019 and decreased by EUR 0.7m between 2018 and 2019, mainly because of depreciation of the Rodeio Bonito plant (EUR -0.7m).

Cash, cash equivalent assets and financial assets have increased from EUR 98m in 2018 to EUR 103m in 2019 (+5%) mainly thanks the good performance of the Group's financial portfolio and despite the share buyback programs.

Financial assets are mainly consisting in listed bonds.

Finally total assets increased by 2.4% during 2019 FY (up by EUR 2.9 m).

At 31st December 2019, the Group (Velcan Holdings and its subsidiaries) holds 146,810 own shares (2018: 468,862), which include the shares purchased under the third buyback program (Part III, note 5.2) and 138,850 shares previously held by Velcan Holdings (Part III, note 7.3). At year end closing price of EUR 6.52 those own shares have a market value of EUR 1.0m.

Liabilities:

Non-current provisions amount to EUR 0.8m at 31 December 2019 and arise from litigations related to the 2 biomass plants previously owned by the Group (Satyamaharshi SMPCL – 7.5 MW and Rithwik RPPL – 7.5 MW, owned between 2006 and 2010). The existing provision represents the major part of the claims covering as well accumulated interests and judicial expenses. [1]

[1] Following the purchase of SMPCL in April 2006, 2 main litigations are still going against the sellers. One is a claim from the sellers for the payment of retention money under the SPA, amounting to EUR 0.3 m at 31/12/2019 closing rates, plus interests at 18% per year. The Group considers the alleged claim is untenable given the issues and liabilities discovered after the acquisition of SMPCL. The other is also claim by the sellers denouncing an alleged delay in the substitution of their personal guarantees given to the creditors which financed the construction of the biomass plant. They are claiming EUR 0.1m (at 31/12/2019 closing rate) plus interest. The Group considers this demand as frivolous.

Own shares, booked directly against Equity of the Group at their historical cost, reduce the net shareholder's equity of the Group by EUR -1.2m versus EUR -3.9m at 31st December 2018 following the share buyback programs, the capital reductions and the use of shares to cover share based payments (Part III, notes 4, 5 and 7).

As at 31st December 2019, unrealized losses on conversion reserves, booked directly against Equity amounted to EUR -9.6m versus an unrealized loss of EUR -9.5m at 31st December 2018, as the BRL and INR currencies were relatively steady VS EUR currency in 2019.

With a consolidated equity of EUR 121.1m (+EUR 2.9m compared to 2018), the Group still has no significant debt as of 31st December 2019. Various provisions, payables and financial instrument liabilities amount to EUR 2.4m (vs EUR 2.4m 2018), including the non-current provisions described above.

3.2. Foreseeable evolution of the Group:

After the closing of this financial year, the Group is pursuing the following main objectives as a priority for FY 2020:

- Pursuing the development of the Indian hydropower projects, of which the implementation timeframe cannot be precisely given the current uncertainties of the Indian hydropower sector.
- Continue the diversification of its financial investments;

The ability of the Group to pursue these objectives is subject to the evolution of the current Covid-19 crisis, which may affect both the development of the Indian projects and the financial portfolio.

4. Detailed evolution of the business

This year has been devoted to the continuation of the development of the Indian concessions and to the optimization of the Group's cash position, and to the continuation of the rationalization of the cost structure.

Summary of concessions as of 31 December 2019

Project Name	Country	State	Size (MW)	Ownership (%)	Remaining years of concession
PCH Rodeio Bonito	Brazil	Santa Catarina	15	100%	15
Subtotal Brazil			***15***		
Yarjep / Heo	India	Arunachal Pradesh	240	100%*	40
Yarjep / Pauk	India	Arunachal Pradesh	145	100%*	40
Yarjep / Tato I	India	Arunachal Pradesh	186	100%*	40
Subtotal India			***571***		
TOTAL			**586**		

This chart contains prospective data related to the potential of ongoing projects or projects of which the development is under progress. This information represents objectives related to projects and should not be interpreted as direct or indirect profit forecasts. The realization of these objectives depends on future circumstances and could be affected and/or delayed by known or unknown risks, uncertainty and various factors of all kind, especially linked to the economic, commercial or regulatory context, and that, in case of occurrence, could have a negative impact on the activity and the future performances of the Group.

* *Indian Projects: the negotiations for the update and amendment of the concession agreements with latest installed capacities and project implementation timeframe are going on.*

4.1. Indian hydroelectric projects development

The Group pursued the development of the hydropower concessions obtained in 2007, a cascade of three projects, the capacity of which was increased to 571 MW in 2013 after approval by the central authorities.

A. Tato 1 HEP (186 MW) and Heo HEP (240 MW)

The feasibility studies have been completed and all the three major authorizations have been obtained in 2015: Techno-Economic Clearance (TEC), Environmental Clearance (EC) and Forest Clearance (FC). Very few privately held hydro projects have reached such level of development in Arunachal Pradesh – and in the Indian Himalayas. Since late 2015 the Group is focusing on the project main next steps as described below.

➢ Post TEC technical investigations and studies

Most post TEC field studies and investigations at site required at this stage by Central Electricity Authority have been already completed between 2016 and 2017. The Group has now completed a dependable and detailed set of studies and investigations which will bring the Projects to the main next technical step, the tender level design.[2] It will start along with the beginning of discussions with power purchasers and EPC contractors, when the projects will move towards financial closure. In 2020, the Group has started to discuss tender level design with Indian and international engineering companies.

TECs of Heo and Tato-1 HEP, granted in 2015 for 3 years and already extended a first time in 2018 for 2 years, will expire on 27th July 2020 and 28th October 2020 respectively. Application for renewals will be submitted this year, and renewal may be granted for 1 to 2 years depending on the assessment of the progress of the projects by the Central Electricity Authority, and the possible requirement of an amended concession agreement (see below).

➢ Amendment of the Concession Agreement

Following the TEC, which has frozen the installed capacity of the projects to 426 MW, the Group has engaged the process for amending the concession agreement in order to amend such installed capacity. The negotiations with the Government of Arunachal Pradesh cover several matters such as a new implementation timeframe for the projects, the administrative fees related to the execution of the new concession agreement, a minority equity participation requested by GOAP, and the final quantum of free power due to the Government once the project will be commissioned. Discussions have been pending for more than 3 years. Despite a meeting recently held in September 2019, no progress has been made in 2019.

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[2] for Tato-1 power house, the tender level topographical survey is not entirely complete at the power house site and it the reconstruction of a bridge destroyed in 2017.

On the short term, this may slow down or delay the TEC renewal process, because the execution of an amended concession agreement, or a Non Objection Certificate from the Govt. of Arunachal Pradesh, may be required by CEA as a condition to issuing the renewal. Other important steps such as the completion of the land acquisition, the execution of the PPA and the financial closure will also require the amended concession to be in place. During the TEC renewal process, the Group will try to involve the central Government in the discussion with the state government, for a speedy resolution of this matter. The group expects that it should put some pressure on the Govt. of Arunachal Pradesh to finalize the negotiation.

- Land acquisition

Under the concession agreement and applicable regulations, the land is to be acquired by the State government and then leased to the project developer. Due to the absence of land registry in tribal areas and to the complexity of the applicable regulations, this remains one of the major challenges. The procedure involves notably a social impact assessment, public hearings and consultations, public consents for acquisition of the land, field surveys, administrative ownership surveys and rehabilitation/resettlement plans.

The procedure was started in June 2016, by the submission of applications to the Deputy Commissioner of the West Siang District, Arunachal Pradesh in order to initiate the acquisition of the land required for Tato-1 and Heo HEPs. Since then a Social Impact Assessment (SIA) and Social Impact Management Plan (SIMP) were prepared by a local university appointed by the State Government. The SIA and SIMP were successfully submitted to the local people through public hearings conducted in the 9 concerned villages in January 2018. Following site surveys and meetings conducted on April and May 2018 2018, the District Commissioner has issued preliminary reports starting to identify clan wise collective ownership of the different land parcel. These reports are still incomplete as they do not yet list individual ownerships and sometimes list several clans on single parcels without any breakup between the concerned clans. They recorded 32% of Heo HEP sites and 4% Tato-1 HEP sites as under dispute and the Group believes these preliminary reports did not yet take into account all existing claims and disputes

Based on this list, the District Administration issued on 15th February 2019 the notice calling for the meetings of the Gram Sabhas (11 village councils) and Affected Land owners (18 clans registered in the above mentioned list). The meetings have been held on 11th and 12th March 2019. All the 9 village councils have voted their consent to the acquisition of land for the development of the projects. 85% and 83% of the Land owners have individually given their consent in the Heo and Tato-1 projects respectively, thereby fulfilling the legal requirement of 80%. On 13th March 2019, the District Commissioner issued its report to the State Government Land Department in view of issuance of Section 11 notification. Such notification validates the procedure previous steps (SIA, hearings, etc.), acknowledges the consent of the land owners and approves that the land is to be acquired for the Projects. As per the applicable regulations, the State Government was bound to issue the Section 11 notification by 27th March 2019 (within 12 months following the Expert Group recommendation). However, due to the ongoing preparation local elections due in April 2019, and the applicability of the Code of Conduct during such pre-elections period (which prevents the Government from undertaking anything else than day to day current affairs), the State Government has issued in late March 2019 an extension of time until 26th September 2019 for issuance of the Section 11 notification.

Such section 11 notification was finally duly executed by the State Government on 26th September 2019. It is the act by which the State Government decides to acquire the required land (totaling 107.20 Ha) for public purpose, based on the successful completion of the first phase of the acquisition procedure. It prevents any other land related transaction to take place and triggers the next steps of the procedure. The completion of this phase, especially obtaining the land owners' consent, is a major milestone in the land acquisition procedure, although it did not resolve the land registry disputes. The settlement of these disputes remains necessary to determine the sharing of the financial compensations between land owners.

Following the section 11 notification, the District Administration had notified on 2nd December 2019 the land survey to be conducted in order to mark land boundaries on the ground and establish the final list of land owners, which is the basis of the financial allocations under the future rehabilitation plan and land compensations. The survey was scheduled between 10th February and 14th March 2020, to be conducted by District Administration. On 10th February's several land owners have physically prevented the District administration to start the survey and claimed notably the immediate payment of the benefits which are due at implementation stage, and that land disputes should be settled in court separately.

Following this incident, the District Administration has suspended the survey until further notice and constituted a special committee of Government officials, for the purpose of handling the land survey. A first meeting has been held, between the local land owners and the committee, on 24th February 2020. During such meeting the Group's team detailed all the financial benefits attached to the project implementation and the mechanisms by which these benefits will be distributed to affected families and those by which the various social and infrastructure project will be implemented. These benefits, at implementation stage, will run in millions of Euros which will be paid to the project affected families, local area inhabitants and the local government. The amounts allocated to the land acquisition compensation, rehabilitation and settlement, and tribal privileges will represent more than Eur 10 millions[3], and will have to be shared between few clans and paid directly to the different individuals recognized as land owners, depending on their land holdings. In a state where the average GDP per capita is less than USD 2,000.00 such benefits represent a massive and very sensitive stake which explain why local people are fighting amongst themselves for being recognized as owners, or as owners of the biggest piece of land possible. The issue is even more sensitive as there is no land revenue registry in such tribal areas.

Benefits during the current development phase, such as additional employment or site work contracts made available to local people in case of site work requirements and punctual voluntary CSR projects were also discussed. The land owners claimed again for immediate payments of benefits not related to site activity and required again a detailed outlay of the all the above mentioned benefits, for discussion during the meeting which was scheduled on 24th March 2020 with the Government committee. As of the date of this report, in view of the Covid-19 outbreak and the related confinement measures adopted in India, the meetings between Government committee and land owners have been suspended until further notice.

Such incident illustrates the ground difficulties currently experienced with the Pauk HEP, and earlier with Heo and Tato-1, to secure the physical access to the land to perform site works, often impeded on the ground despite administrative decisions, which are often weakened or made ineffective by the lack of Law and Order enforcement.

During the previous section (#11) of the procedure the land owners had formally given their consent to the land acquisition and thereby to move forward with the procedure. The Land Survey is the first step towards a possible resolution of the land disputes. It is necessary to bring the procedure to the next levels: detailed and individual census of affected families, the marking of land boundaries, the hearing of individual objections, the preparation and publication of Rehabilitation & Resettlement plans (Section 19), the public hearings on such plans, the issuance of financial awards (Sections 23 and 31) and the physical possession of the Land (Section 38).

[3] The land compensation is to be determined by the State Government as per applicable regulations. Hence the figure of Eur 10 Million is an approximate estimate intended to give an idea of scale.

The land acquisition procedure is under the exclusive Government purview, and not under the control of VELCAN Holdings. The Group is supporting, to the best of its legal and technical capabilities, this process. The administrative procedure is being monitored closely to ensure a proper coordination with the government authorities, and the preservation of the local owners' rights and privileges. Well aware of its corporate and social responsibility, the Group tries to ensure that the local population and the owners are well informed with the procedures and the project, that any potential negative impact is or will be mitigated and compensated. This task is not easy and its result not guaranteed because in some situations there can be divergent interests at stake when considering the numerous parties involved, both public and private. As an example the Group has a dedicated team undertaking actions on a regular basis such as local awareness campaigns, CSR activities and logistical support for the land acquisition related activities or other works conducted at the project sites. The Group is following-up closely the developments of this procedure.

As per our knowledge it is the first time the State Government acquires land under this new Land Acquisition Act (2013) and the procedure is complex. The Group's teams are in daily contact with the concerned authorities and actively supports and follow-up the procedure.

- Road infrastructure timely availability

The public roads leading to the project sites are undergoing an upgrade and widening program, which will, once completed, allow the transportation of construction and electrical & mechanical equipment. From the national highway network, 28 Km up to Aalo, the tendering and awarding of contracts is under progress. From Aalo to the project site (under BRO), some stretches have been completed. For the rest, non-completed stretches are totaling 87 Km, and were expected to be ready between 2020 and 2022, as per a status report from the Ministry of Defense dated 2017. However Border Roads Organization (BRO/Ministry of Defense) confirmed in late 2019 that concerned stretches were still under Detailed Project Report (DPR) preparation, which means that survey and DPR studies are still ongoing. Once the DPRs will be ready, and before starting the works themselves, the BRO will then need to obtain forest clearances, budget sanctions, tendering and award of contracts, and to mobilize the construction resources. Then the works themselves will take around 3 years. Based on previous experience in the area, the Group considers it is unlikely the concerned stretches will be ready before the end of 2024 or 2025, unless fast track measures are implemented.

A joint survey has been conducted in November 2016 between Velcan's Team and the Border Roads Organization (BRO/Ministry Of Defense) in order to assess what stretches are critical in view of making sure the BRO would have them ready earlier. Following several joint meetings under the umbrella of the Ministry of Power (MoP, Govt. of India), MoP has submitted a request to the Ministry of Defense for that purpose. Tentative budgets have been prepared by the Ministry of Defense in November 2017 and February 2018. Further tripartite discussions did not continue and no further progress was made by the Central Government since then. However, the new hydropower policy published on 7th March 2019 provides for budgetary support to be granted to hydropower for road infrastructure development, which may help in the future to speed up road works completion (see below the details on this policy).

- Forest Clearance

The Projects have already obtained the Forest Clearance stage 1. The issuance of the Forest Clearance stage 2, which allows to physically take possession the forest land (subject to land acquisition by the Sate Govt. being complete), is subject to the fulfilment of some conditions as stipulated in the Stage-1 Forest Clearance (in addition to the land acquisition). The Forest Clearance stage 1 issued by the Ministry of Environment and Forests (MOEF, Govt. of India) notably requires the State Government to identify additional compensatory afforestation land (land where forest is to be replanted) of 7 Ha for Heo HEP and 12 Ha for Tato-1 HEP. Subsequently, the State Government has proposed to the Ministry a patch of land in 2016, for which MOEF required clarifications about the suitability for planation, as part of the patches seemed to be falling in hilly and rocky land. Another proposal has been sent by the State Government to the MOEF in November 2017, displacing 8.4 Ha (rocky area in the first proposal) to a new adjacent area suitable for afforestation plantations. MOEF has requested additional technical clarifications in May 2018. In April 2019, the State Government has finally clarified to the MOEF all pending issues, and sent the report on compliance of stage 1 clearance.

On a separate matter, in view of some technical layout adjustments required for one access road and several quarry sites, the Group submitted in June 2017 an application for the approval of such changes which will amend some of the technical features and maps of the Stage 1 Forest Clearance. The applications have been forwarded by the Divisional Forest Officer (DFO) in February 2018 and by the Chief Conservator of Forest (CCF) in April 2018 for both projects. The State Government has recommended the amendment for the Tato-1 HEP in June 2018 and for the Heo HEP in November 2018 and forwarded the case to the Ministry of Environment and Forests for final approval.

As part of this revision of the forest land layout maps, the revision of the entire procedure under the Forest Right Act (FRA) was also conducted. This regulation aims at ensuring forest dwellers and tribal populations are agreeable to the project in their area and that their traditional rights are preserved (such as fishing rights or use of timber for example). It involves multistage collegial approvals by different local authorities, from the village level committee (approved in March 2018), the sub-division level committee (in May 2018) and district level committee (in July 2018). The compliance certificates as required by MOEF have been issued for both projects on 31st July 2018 by the District Administration and forwarded to the State Forest Department for compliance. The renewed support of the local population is instrumental to the Group and the future of the projects. It materializes the results of the Group's CSR activities, its local presence on the field, and the team constant interaction with local people.

Based on all required above submissions by the State Government, the Forest Advisory Committee (FAC) meeting - the expert body in charge of forest related approvals at the MOEF - has been conducted on 22nd May, 2019 and, directed to the Regional Office of (RoMoEF) to visit the project sites and to submit the detailed report to the Ministry on the proposed changes. The regional office of the MoEF, Shillong (RMoEF) visited the project sites between 18th and 20th November 2019, following which additional queries were sent to the State Forest Department, for furnishing additional information. The required information (mostly about the background of the quarry sites modifications and the compensatory afforestation) was communicated to the RoMoEF in late January 2020. The group expects the RoMOEF to forward its approval to the MoEF, in view of a FAC meeting and a subsequent approval during the second half of 2020.

- Bankable Power Purchase Agreement(s)

During 2019 the sale of hydroelectricity kept facing the same multiple challenges. Hydropower has slowly faded from the Indian power mix and practically disappeared from the plans on the future of India's energy security, as solar and wind projects garnered much of the political will, regulatory effort and investment.

Hydropower plant cost estimates can reach Rs 7-9 crore (Eur 0.8 to 1.1 m) per MW at planning stage, without considering the likely construction cost overruns. This needs to be compared with Rs 4.5-5 crore (Eur 0.5 to 0.75 m) per MW for thermal power and Rs 3.5-4 crore (Eur 0.4 to 0.5 m) per MW for solar energy. Hydropower projects take many years to be completed, longer than thermal projects, and even much longer than solar plants. Due to geological and hydrological surprises, time and cost overruns are common for hydro projects. These hydropower inherent features make it difficult, initially, for power developers to compete with thermal and renewable power producers who in addition operate on a tariff based bidding modality. Indeed whereas solar and wind power have benefited both from a well-defined tariff based bidding procurement procedure and a political willingness to increase installed capacities for a long time, hydropower PPAs remain to be signed under a bilateral MOU route with a post commissioning tariff approval by state regulatory commissions. The lack of clarity of such procedures is one of the factors dissuading DISCOMS to sign long term hydro PPAs. As a result, the present procedure leaves the sensitive question of cost-overruns bearing widely opened, and DISCOMS do not want to carry such risk given the potential cost overruns faced by hydropower projects.

Solar and wind tariff have fallen dramatically over the past years with some auctions touching as low as Rs 2.50 per unit in 2019 for solar power[4] (like in 2018) and Rs 2.82 for wind projects[5], whereas most competitive hydro power projects are often more significantly more expensive, although their lifespans makes them cheaper on the long term. Heo and Tato-1 HEPs tandem have a weighted average levellized tariff of Rs 4.77[6] for a theoretical COD in 2027, which is competitive in the hydro space but much higher than solar and wind power. However, a hydropower plant sells power for 40 years, after which the plant is handed over for free to the state and still has decades to run. This longevity advantage is not computed in the tariff of the initial power purchase agreements as per the applicable regulation. Once a hydropower project is completed, power becomes cheaper over time; and the lifespan of hydel plants runs into decades. It has a lot of benefits for one with a long term view. Although hydropower does not compete directly with solar power because it generates very long term, predictable and sometimes peak power, the overall market is impacted by solar and wind tariffs. As a result of these low solar and wind power tariffs, coupled with the current Renewable Power Obligation[7] imposed on them by the Indian renewable energy policy, the DISCOMS have not been inclined to signing long term hydro PPAs in recent years. In addition, the very low general electricity spot market prices during the preceding years, coupled with the DISCOM's poor financial health, is another reason for DISCOMs to tend to procure general power (non RE) in the spot market rather than committing the purchase of long term more expensive power.[8]

In March 2019 the Government of India approved long awaited measures to promote hydropower sector, in order to replace the current regulation which never worked in practice because the public distribution companies have always refused to commit to long term PPA in the pre-construction and financing phases of the hydropower projects.

The new hydropower policy which features the following main measures:

i. Large Hydropower Projects to be declared as Renewable Energy source (as per existing practice, only hydropower projects less than 25MW are categorized as Renewable Energy).

[4] Solar Energy Corporation of India (SECI) auctioned 1.2 GW of solar projects, the 4 winners placed bids at Rs 2.50 and Rs 2.51.
[5] SECI auction, February 2019.
[6] Indicative figure based on an example of commission that would occur in 2027, which is subject to the real date of commissioning and to the Central Electricity Regulatory Commission approval of final costs post construction, which may suffer overruns. The 2027 COD is only an example date necessary to calculate escalation of costs and then completion cost. It is NOT a forecast of the COD, which the Group is not in a position to provide for the reasons mentioned in this report.
[7] This RPO forces DISCOMS to purchase 15% of their electricity from renewable sources, which include solar and wind power but exclude hydropower above 25 MW
[8] According to data from the IEX, the previous low of minimum spot electricity price was recorded at 52 paise per unit in 2017 which rose to Rs 1.72 per unit in 2018 and then dipped to 94 paise in 2019 before touching a three-year low of 60 paise in 2020 for supply on Wednesday (March 25).

ii. Hydro Purchase Obligation (HPO) will be imposed on DISCOMS and included as part of non-solar Renewable Purchase Obligation, which means DISCOMS will be obliged to purchase hydropower. Annual HPO targets will be notified by Ministry of Power based on the projected capacity addition plans in hydropower sector. Necessary amendments will be introduced in the Tariff Policy and Tariff Regulations to operationalize HPO.
iii. Tariff rationalization measures have been introduced, including a flexibility to the developers to determine the tariff by “back loading” it after increasing the computation period, an increase of the debt repayment period to 18 years and an escalating tariff of 2%. The purpose of these measures is to lower the first years’ tariffs. The modalities of new tariff calculations will be determined by the Central Electricity Regulatory Commission.
iv. Budgetary support is to be granted by the Government towards development of infrastructures such as roads and bridges on case by case basis, limited to Rs. 15 m (193 kEur) per MW for projects up to 200 MW like Tato-1 HEP and and to Rs. 10 m (128 kEur) per MW for projects above 200 MW like Heo HEP.

However so far the application decree, which is absolutely necessary to implement the new principles, has not been issued and the application rules, as well as their actual effect on the hydropower market remain unknown. The market therefore remained the same during 2019, even worsening if one considers the deterioration of the DISCOMS balance sheets.

During the last 18 months the Group has been looking for a long term, firm off-take, bankable PPA for Heo and Tato projects. Several major power brokers such as notably Tata Power, NVVN, Manikaran Power and PTC (totaling 66% of the Indian power trading market, 2018) have been solicited and met several times in 2018, 2019 and early 2020, and requested to undertake a mandate for finding a long term PPA. In India, long term PPAs are usually negotiated, arranged “back to back” between generators and buyers and with a power broker in the middle in charge of “operating” the PPA and taking care of grid operations. Only NVVN (NTPC trading branch, Govt. of India enterprise) initially showed some potential interest to take up mandate, and negotiations were conducted up to the preparation of a draft agreement as per which NVVN would have been searching for long PPA for 50% of the tandem capacity (213 MW). Eventually all these major brokers, including NVVN, declined to take up any mandate, and confirmed recently the current lack of appetite from the distribution companies for such long term hydropower contracts and the lack of readiness of the market and regulatory framework as the implementation regulation of the above mentioned policy has not yet been issued.

Regarding the overall demand – supply scenario as most states currently have contracted capacities in excess of their demand, due to lower than anticipated demand and robust / on-schedule generation capacity additions. However this situation should not last because a steady demand growth is expected in the next ten years, which, coupled with absence of investments in coal based capacities, should absorb excess capacities in most states. Indeed, in terms of long term power demand, even if some states are in power surplus scenario on the short term (1-2 years) they would all be experiencing peak and average deficits at the end of 2022. The demand could even become significantly larger (> 20 GW) if new MOEF norms for coal based power plants are enforced to meet emissions standard and if renewable energy capacities are under achieved. That should leave room for the procurement of hydropower by DISCOMS if a proper regulatory framework is in place.

On the ground of DISCOMS financial heath, the UDAY scheme (refinancing Government Scheme to improve the financial health of distribution companies) has not had the effects expected. On contrary the solvency and balance sheets of the DISCOMS kept worsening. During 2019, the total overdue from the DISCOMS has swelled from Rs 67,012 Crores (Eur 8.041 billion) as in January 2019 to Rs 88,748 crores (Eur 10.409 billion) in December 2019[9], illustrating the very deep financial troubles of the DISCOMS. Such context explains partially why DISCOMS are mainly inclined to purchase short term cheap power.

The requirement for energy storage is another trend that has been emerging recently. Because India has implemented a lot of solar and wind in recent years, by definition non flexible and without storage capacity, the power-transmission grid faces stability issues[10] and the requirement for an overall supply of guaranteed electricity is not fulfilled. Pressure for flexible generation is growing up in order to reduce the incidence of the supply side variability induced by renewable power sources. Similarly pressure is growing for peak time supply on any new renewable energy projects. Distribution companies have started to purchase renewable energy such as solar or wind with an added requirement that the generators need to provide some form of storage / predictable energy in order to guarantee production during several hours of peak time daily[11]. Such requirement will apply to hydropower producers should the distribution companies consider long term hydropower at some point. The Heo and Tato-1 tandem is a pure Run-Off-River project which does not does not provide for storage / peaking capacity. The upstream project Pauk was tentatively designed as an arch dam with a diurnal reservoir in order to provide the peak time storage for both its own capacity and the tandem, the 3 projects functioning as a cascade. However given its technical complexity, the fact that no arch dam was ever built in India, and the local site accessibility issues, the Pauk HEP is planned to come up several years after Heo and Tato.

If this trend is confirmed, a PPA for Heo and Tato-1 tandem separate from Pauk HEP's PPA, hence with no peak time guaranteed, could well be of no interest for the distribution companies. In such case it would not be conceivable anymore to start Heo and Tato-1 HEPs independently from Pauk. The 3 projects would have to be implemented at the same time, which would have a significant negative impact on the timeframe of the projects (see below).

B. Pauk HEP (145MW):

The project progress continues at a slower pace, commensurate with the Project's specific technical and administrative characteristics. After several months of technical discussions, the Company obtained from the Central Water Commission (Govt. of India) the approval of the project basic design in April 2017, and the approval of the geological investigation plan from the Geological Survey of India in August 2017. Based on such approvals the next step is mainly to conduct the approved investigation plan. However the performance of site investigations remains subject to the clearance of landownership disputes. As an example, after several months of negotiations, a work order to shift a drilling machine at Pauk Power house site could be signed and shared between several clans on 23rd March 2018. The drilling equipment could be transported on a part of the required path during the month of May 2018 and accesses prepared in September 2018. However thereafter new inter-clan disputes interrupted the work. Orders have been issued by the district

[9] Source : PRAAPTI portal, Power Finance Corporation Consulting Limited, data encompassing 65 DISCOMs and 88 generation companies as of December 2019

[10] More than 75% of planned capacity additions till 2027 will be from Renewable Energy sources. Sudden changes in renewable energy generation impacts the grid, which needs to operate within narrow frequency bands, thus risking stable/ safe grid operations. The Grid therefore requires balancing resources having high ramp rates (capacities able to start and stop generation on demand and on short notice)

[11] See recent SECI call for tender for 1,2 GW, won by Greenko and Renew Power. The bidders were required to bid for solar power along with some stored predictable power. Greenko placed a mixed bid with both solar and pumped hydropower.

administration to direct the restart of the work, and several discussions have been going on in October 2018 and February 2019 between the concerned clans, but without success. Finally the shifting of the drilling machinery could be completed on 4th August 2019. The required 57 m deep in rock drilling work at the power site was completed on 16th September 2019. The Group is assessing the situation and the strategy to continue with the next drills at the power house site, as well as at the dam site.

The above mentioned disputes have often slowed down or prevented activities at the site in the past years. The Group will keep supporting and pushing this project as it features a diurnal reservoir which would allow the entire cascade to generate peak power 3 hours daily at full capacity. A peaking capacity may in the future make the cascade more attractive and / or increase its profitability. . As explained above, peak hydropower is a solution to this issue as it allows the flexibility to inject power on demand very quickly, and could therefore answer specific needs. The opportunity for hydro in this regard will also depend on the efficiency and cost effectiveness of other storage based solutions such as batteries.

C. Overall perspectives in India:

Until now, the Indian commercial and financial market conditions have not yet been favourable to the sale of hydropower, for the reasons explained above. It is difficult to factor in the uncertainties rising from the regulatory framework, the market conditions, the power demand, the grid stability issues, the storage market and the financial health of distribution companies, because all such factors fall beyond the Group's control.

The Government of India has undertaken to reverse the above negative market scenario by publishing on 7th March 2019 a new hydropower policy which features main measures such as a Hydro Purchase Obligation (HPO) to be imposed on distribution companies or plans to reduce the hydropower tariffs in the first years of the PPA to make it more attractive to power purchasers.

In principle the above new policy is a good news, and it marks a long awaited shift in the Government of India policy towards establishing a regulatory framework facilitating the signing of long term PPAs and supporting hydropower development. However, after more than a year, the details and implementation modalities remain to be seen and the Company is following up closely the evolution of this new framework.

The provisions of the new hydro policy, especially the envisaged HPO, could result in creating immediate demand for the generation from the R-o-R projects Heo and Tato-1, if application rules are issued soon and with favorable terms, and subject to the financial capabilities of DISCOMS and banks

If such demand is not created by a regulatory HPO, Heo and Tato-1 will have to wait for Pauk HEP to come along with a storage solution. The Group estimates that it will take 6 to 8 years to complete Pauk development (2 to 3 years of additional geological investigations[12] requested by the CEA, 2 to 3 years of design and authorizations/permits, 2 years for EPC contracts and financial closing) and 5 years to build it. Still, this assumes that the proper regulation for hydropower is finally implemented, the solvency of the DISCOMS is restored, that there is a renewed appetite for long term hydro PPAs, and that all other conditions and requirements depending on the central or local government are fulfilled (land acquisition, access roads and transmission lines).

Multiple different factors and variables, some positive and some negative, may affect the hydropower scenario in India. Overall, Velcan Holdings believes that the Government of India is aware of the long term benefits of hydropower and the necessity to increase its share in the energy generation mix of such a large

[12] Subject to unhindered access to site and proper management of the land disputes by the State Government.

market[13], like China and Brazil did for example. This awareness is illustrated by the policy released in March 2019, even though the implantation regulation is not yet issued.

Depending on how the market situation evolves, Velcan Holdings will adjust to the extent possible the projects development strategy, timeframe and potential partnerships. In view of the situation of the Indian electricity market as descried above, if it remains unsolved, the Group may also explore the possibility of exporting the power to Bangladesh.

Meanwhile, the Company keeps making progress in areas that depend on itself. The local team presence on the field, coordination of activities involving the local people and government services, logistical support and CSR activities are enabling the project to progress but as always the pace is limited by how quickly the government does its part and the local people negotiate and accept the changes that the projects will bring.

In the current advanced project development phase, most activities are under the purview and legal responsibility of local and national Government entities, including instrumental land acquisition and road infrastructures. These activities are progressing at variable paces but generally slowly and they regularly encounter impediments and delays.

The Group's team pushes all project activities including by assisting the Government for those activities which are not its direct responsibility and by providing support to Government entities whenever possible. Although the Group continues to see long term promising prospects in the Indian electricity market, the Group is not in a position to assess the timeframe and the scale of the various delays which are or will be encountered.

Upon reaching a bankable PPA and the financial close for the 426 MW tandem, the Group will require USD 112 million to USD 134 million to fund the equity required for the construction of the Heo and Tato-1 tandem (estimate which will vary notably depending on the final completion dates, final financing costs, completion costs, and exchange rates).

An additional provision or Eur 2.2 million (15%) has been decided for FY 2019 on the intangible value of the Indian projects, in view of the uncertainties of the Indian market and the delays encountered. This brings the total provision to Eur 4.4 million (30%), considering the previous provision booked in 2017 (EUR 2.2m).

4.2. Rodeio Bonito Plant (15 MW)

At the end of 2019, the Group owns and operates the 15 MW Rodeio Bonito plant.

The production of 49 113MWh during 2019 (against 49,987 MWh in 2018, -2%) was again moderate due the rainfall in Rodeio Bonito catchment area being still well below the historical long term average. This reflects again low precipitation levels in Brazil in 2019 although not as low as in 2018 in the whole country.

This resulted in a lower negative impact amounting to BRL -0.8m in 2019 for Rodeio Bonito (compared to BRL -1.5m in 2018 where the precipitation levels were low I Brazil). Translated in Euros, the consumed purchases (Mainly MRE[14]) impacted the annual operational result by EUR 0.2 m in 2019 against EUR 0.4 m in 2018.

[13] India is the third largest power generation market in the world

[14] In Brazil, « guaranteed energy » or « ensured energy » means the annually marketable energy as approved by MME – Ministério de Minas e Energia (Department of Mines and Energy) and guaranteed through the Brazilian power system for power plants opting for the MRE (Energy reallocation Mechanism), mechanism functioning at national scale, even if the production is impacted by a bad hydrology some years. This mechanism covers the hydrological risk in case some Brazilian areas are experiencing drought, whereas other areas are experiencing heavy rains. The guaranteed energy is usually sold through mid-term fixed inflation-linked contracts.

The operation and maintenance of Rodeio Bonito are satisfactory with a technical availability of 99% for 2019.

The turnover has increased by 10% when expressed in Euro and by 13% when expressed in BRL in 2019 (EUR 2.8m or BRL 12.6m) compared to 2018 (EUR 2.6m or BRL 11.1m) thanks to the inflation on electricity selling prices.

The EBITDA (earnings before interests, taxes and amortization) of the plant amounted to BRL 9.3m against BRL 7.3m in 2018. When converted in EUR, the EBITDA was up to EUR 2.1m vs 1.7m in 2018, mostly due to the higher turnover and the lower MRE payments. The Group is not developing any other project in Brazil as of 31st December 2019.

5. Report on share buybacks

Reasons of purchases effected during 2019	Capital reduction by cancellation of purchased shares and future service of securities giving access to the capital
Total number of shares purchased in 2019	166,385 shares
Nominal value of shares purchased in 2019	Eur 166,385 – Eur 1 nominal value per share
Percentage of capital bought back	2.85% based on the share capital as of 31/12/2019
Shares cancelled during 2019	451,147 shares have already been cancelled in August 18
Shares sold	Nil
Total price paid towards share buybacks in 2019	Eur 1,330,533.00
Total own shares owned as of 31/12/2019	146,900 shares (including 139,850 shares previously held by the Group)
Percentage of capital held as of 31/12/2019	2.52%

The purchases made in 2019 are part of 2 different programs, one started in 2018 and ended on 16th May 2019 and one started on 17th December 2019 and ended on 13th March 2020. Under the later program, the Company purchased 300,000 shares, representing 5.15% of its share capital, at a weighted average price of Eur 6.67 for a total amount of Eur 2,029,662.00 in accordance with the description of the share buyback program and the resolutions of the General Meetings of Shareholders held on June 28th, 2017 and July 28th, 2017. The details of all share purchases are available on the Company's website (http://www.velcan.lu/investors/other-regulated-information/).

Following the announced objective of the above mentioned buyback program (ended in March 2020), the Board of Directors has decided to cancel 278,500 shares bought back, and to keep 21 500 shares to cover for future exercises of securities giving access to the capital. The cancellation will result, once the formalities are completed[15], in a reduction of the Company's capital to bring it from its current amount of five million eight hundred thirty thousand eight hundred twenty euros (EUR 5,830,820), to five million five hundred fifty two thousand three hundred twenty euros (EUR 5,552,320) divided into five million five hundred fifty two thousand three hundred twenty (5,552,320) shares with a par value of one euro (EUR 1) each.

However this mechanism does not cover the risk of a national drought across Brazil which results in an overall MRE system in deficit. In this case, the Rodeio Bonito plant EBITDA could collapse drastically as all participants of the MRE system will have their guaranteed energy reduced proportionally to the overall deficit. In this case the plant has to purchase electricity in the spot market to compensate for its generation deficit, called MRE payments as consumed purchases.

[15] Capital reduction not yet performed as of the date of this report

The Board of Directors has initiated another share buyback program on 13th March 2020, which is still ongoing as of the date of the report. It entails purchase of a maximum number of 300,000 shares, representing 5.15% of its share capital, at a maximum purchase price per share of five euros and ten cents (EUR 5.1), excluding acquisition costs. Under this program, the maximum total amount that the company may allocate to the buyback of its own shares shall not exceed Euros 1,530,000.00 excluding acquisition costs. The purpose of the buyback programme is to buy back shares of the Company from shareholders wishing to sell them at current market conditions, but not finding sufficient liquidity, in view of their cancellation, towards active management of the shareholders' funds.
The details of all share purchases under this program are available on the Company's website (http://www.velcan.lu/investors/other-regulated-information/).

6. Events subsequent to 31st December 2019

- Land acquisition procedure stopped by land owners in India

Following the section 11 notification on 26th September 2019 (see PR dated 30th September 2019), the District Administration had notified on 2nd December 2019 the land survey to be conducted in order to mark land boundaries on the ground and establish the final list of land owners, which is the basis of the financial allocations under the future rehabilitation plan and land compensations.

The survey was scheduled between 10th February and 14th March 2020, to be conducted by District Administration. On 10th February's several land owners have physically prevented the District administration to start the survey and claimed notably the immediate payment of benefits and that land disputes should be settled in court separately.

Following this incident, the District Administration has suspended the survey until further notice and constituted a special committee of Government officials, for the purpose of handling the land survey.

During the previous section (#11) of the procedure the land owners had formally given their consent to the land acquisition and thereby to move forward with the procedure. The Land Survey is the first step towards a possible resolution of the land disputes, and the Company hopes the process can resume soon.

As of the date of this report discussions have been started between the state government and the concerned owners. However the meetings between the Government and the land owners have been suspended from 16th March 2020 onwards, due to the Covid-19 outbreak.

The land acquisition procedure is under the exclusive Government purview, and not under the control of VELCAN Holdings. The Group will continue to follow-up closely the developments of this procedure.

- Completion of share buyback program launched on 17th December 2019, commencement of a new program

As of the 12th March 2020, the Company had repurchased all the planned 300,000 shares, in accordance with the description of the share buyback program published on December 17th, 2019. Following the announced objective of share buybacks, the Board of Directors has decided to cancel 278,500 shares bought back, and to keep 21 500 shares to cover for future exercises of securities giving access to the capital.

In continuity with the previous share buyback programs, the Board of Directors has decided on 13th March 2020 to initiate another buyback program of 300,000 shares, the purpose of which is to buy shares of the Company from shareholders wishing to sell them at current market conditions, but not finding sufficient liquidity, in view of their cancellation.

All information on the repurchases made and the programs published are available on the Company's website (http://www.velcan.lu/investors/other-regulated-information/).

- COVID-19 Crisis consequences

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets.

As on 31/12/2019 the bond portfolio had a value of EUR 56.6 m (excluding accrued interests). On the 14th of February the bond portfolio had been reduced to EUR 42 m (excluding accrued interests). Since then the current market crisis linked to the covid-19 epidemic has significantly decreased the value of this portfolio. As of the 14th of April, these same bonds had a value of EUR 36.1m to which an additional EUR 0.4 m has been added for a total value of EUR 36.5 m. The decrease is of approximately 14% since mid-February, which is in the range of the market decline for such bonds. The Group does not expect to sell most of these bonds in the short term. Thanks to the US Federal Reserve announcements the news flow has been more positive on the High Yield Bonds asset class recently. But it has to be noted that this is still an illiquid asset class where prices are more difficult to ascertain than before. The Groups relies for its evaluation on information from its banks and the Reuters system. Among others, the current situation has increased the riskiness of the exposures of the Group to the Republic of Argentina, the CMA CGM Group, Trafigura and NordLB.

As of 31st December 2019, the Group had investments worth EUR 6.7 m in listed equities of which 2.4 mEUR where equity shorts to hedge the portfolio holdings and EUR 0.9 m in Gold ETFs and gold mining equity. Until the Covid-19 related crisis, the Group believed the equity markets provided no sufficient reward vs the risks entailed by their level. Given the market turmoil and heavy decreases of listed equity price levels, the Group increased its equity exposure to listed equity in 2020. As of the 14th of April 2020, the general equity exposure was of EUR 21.1 m of which EUR 6.97 m where equity shorts to partially hedge the portfolio holdings. In addition to this, the Group held in its Commodity asset class EUR 5.4m of Gold ETFs and gold mining stocks. Depending on stock market evolutions, the Group may increase further or decrease its equity exposure.

Additionally, as of December 2019, the Group had investments worth EUR 8.2 m in US T-Bill (having less than 3 months maturity).

In India, the land survey, part of the section 19 of the land acquisition procedure, was suspended until further notice due to administrative lockdown and social distancing measures, as it involves mainly village council and committees meetings. Administrative procedures as well as the search for a PPA have also practically been stalled by confinement measures and will be subject to the reopening of concerned Government offices. The electricity market has experienced further stress, materialized by a large slump in power demand, a fall in the spot market prices and an increase of DISCOMS defaults on PPAs. Due the lockdown, peak demand of electricity has dropped by 28% from 20th to 30th March 2020. Spot power price touched a three years low of INR 0.6 per unit on Wednesday, the 25th March, 2020 due to low demand. These factors exacerbate the depressed electricity market situation described in detail p.19-21 and are likely to keep deterring DISCOMS from hydropower long term PPAs. The March 2020 data in this regard was not available as of the date of this report. But in January the financial health kept deteriorating as their outstanding dues to power generators rose by nearly 32% to Rs. 88311 cr. The outstanding rose further to Rs 92 602 cr in February 2020 just before the Covid-19 outbreak.

In Brazil, the Group's subsidiary owns and operates the hydropower plant, Rodeio Bonito Hidreletrica Ltda. The impact on PPA prices when the contract renewal will be due is difficult to predict but could be downside in the short term and uncertain in the long term. For now a visible impact is the fall of the Brazilian Currency which could have a significant negative impact on 2020 accounts of the Group since it already represents a potential loss of EUR 2m in the retranslation in euro of the Brazilian assets in the Group's books.

At this point, the Company cannot reasonably estimate the duration and severity of this pandemic, which could have a material adverse impact on its business, results of operations, financial position and cash flows.

7. Risk factors and uncertainties

7.1 Hydroelectric project development risks

The Indian hydropower projects have reached an advanced stage of development: they have completed and feasibility studies and obtained all three majors licenses and permits: the Techno-Economic Clearance, the Environmental Clearance and the Forest Clearance (see section 5.2.2). They are however still in a development phase and the start of their construction is subject to several factors and the completion of several activities, which are themselves interdependent or dependent on external factors and subject to several risks.

In case one or several of these risks materialize, the Projects could suffer delays that could lead to the termination of the concession agreements by the State Government. There are provisions in the concession agreements stipulating that development periods and deadlines should be extended in case of force majeure and delays for reasons non attributable to the developer. However, that is subject to interpretation and the Government termination decision, whether in breach of the agreement terms or not, would result in the total loss of the hydropower projects themselves. Similarly the materialization of one or several of these risks could lead to a situation where the Projects would be stalled, unable to start construction for an undefined period of time and/or would become practically unfeasible. Even in the absence of termination of the concession agreement, that would result in an important impairment of the Projects in the company's account, equivalent to a total or partial loss of the Projects.

For the Company's shareholders, these risks materialization would eventually result in a significant loss of shareholder's equity. The Shareholder's may lose part of the investment made in the Shares as a consequence.

The risk factors during the development phase are listed herein.

A. Risk of unavailability or significant delays of the land required for the project (107 Ha)

The land acquisition process is under the purview of the State Government. There is a risk of non-completion or significant delays in the acquisition process, preventing the Group to take possession of the land for the following reasons:

- Due to land ownership disputes between local owners (as of now 32% of the Heo HEP land and 4% of the Tato-1 land are under dispute). From the legal angle, the Government can proceed with the acquisition and ownership litigations are to be settled in court separately. However, that would mean that the financial compensation would not reach the local claimant at the time of taking possession of the land. In such case there is a risk local claimants would physically prevent the Group, through demonstrations and riots, to take possession of the land. There are several examples in India of riots preventing hydropower works to proceed for various reasons. The Group's own projects have suffered delays due to ownership disputes preventing the access to the land that was / is necessary to conduct field investigations.

- Due to local political reasons such as lobbying, agitation, anti-dam protests and Law and order disturbances led by the local people and anti-dam Non-Government Organizations (NGOs) on various possible grounds such as the protection of the environment, the refusal of migrant workers influx by local tribes or disputes with regard to floods risks and downstream water availability. Such type of agitation has occurred several times in India, notably for a large hydropower project (the Lower Subansiri HEP) of which the construction has been stalled for 8 years, in the same region as the Group's project.

Such delays or unavailability of land would in turn result into the impossibility to reach financial close and start the project construction. The Group could therefore in this case lose the Projects and the equity already invested.

B. Risk of unavailability or significant delays of land transport infrastructure (roads and bridges)

The public roads leading to the Group's project sites require an upgrade of bridges and widening of roads in order to allow the transportation of construction and electrical & mechanical equipment. Some stretches are under progress or scheduled for 2022. The last 87 Km of road (under the Ministry of Defense purview) leading to the Projects sites are likely to be ready between 2024 and 2025 but there is a risk of delay or unavailability for the following reasons:

- The 87 last km of roads leading to the project sites are remote infrastructure and depend from several the Ministry of Defense (Border Roads Organization). They were initially scheduled to be ready between 2020 and 2022. However, as per the information gathered by the Group's local team, for most of the concerned stretch, the feasibility and technical studies (DPR – Detailed Project Report) have not yet been awarded to engineering firms. That practically means the entire process remains pending: technical studies, field surveys and investigations, preparation of DPR in accordance with National Highway Double Lane road standards, approval of DPR by appropriate Ministries, Forest Clearance, detailed designs, sanction of budgets, call for tender from contractors and finally at least 3 years of construction work. Unless there is a change of plan or new measures to fasten the studies and the construction, it is likely these roads will not be ready before 2024 or 2025. This is an example of delays due to administrative slowness, lack of funding or political reasons. Further delays could happen as already experienced and practically result in the impossibility to prepare for the financial close of the Projects for an undefined period.

- The roads construction could also suffer delays or stoppage due to the local agitation risk mentioned under para i) above.

Such delays or unavailability of roads would in turn result into the impossibility to reach financial close and start the project construction. The Group could therefore in this case lose the Projects and the equity already invested.

C. Risk of unavailability or significant delays of the electricity transmission infrastructure

A transmission line of 350 Km including a 400 Kv capacity for 150 Km and 800 kv for the balance 200 km, along with pooling stations, will be required to evacuate the power from the Projects. There is a risk of unavailability or delays for the following reasons:

- The funding, construction and operation of the transmission lines are under the purview of the Power Grid Corporation of India Limited, under the central Ministry of Power. The implementation of such infrastructure requires important permits, technical studies and funding. As mentioned for the roads above, important delays due to administrative slowness, lack of funding or political reasons could happen and practically result in the impossibility to prepare for the financial close of the Projects for an undefined period of time.

- The transmission line construction could also suffer delays or stoppage due to the local agitation risk mentioned under para i) above.

Such delays or unavailability of transmission lines would in turn result into the impossibility to reach financial close and start the project construction. The Group could therefore in this case lose the Projects and the equity already invested.

D. Risk of unavailability, expiry, non-renewal or new requirements of the licenses and permits, or significant delays

All the three major licenses obtained by the tandem Heo-Tato-1 HEP are subject to a timeframe and are valid until 2020:

- Heo HEP TEC Revalidated up to 28th July 2020.
- Tato-1 HEP TEC Revalidated up to 28th October 2020.
- Heo HEP Forest Clearance-I issued on 27th October 2015 and valid for five years.
- Tato-1 HEP FC-I I issued on 27th October 2015 and valid for five years.
- Heo HEP Environment Clearance issued on 10th November 2015 and valid for five years.
- Tato-1 HEP Environment Clearance issued on 10th November 2015 and valid for five years.

There is always a risk that the concerned Ministry or Government entity refuses the renewal and/or imposes additional requirements due to a change of regulation or an *Ad Hoc* regulatory decision.

The Projects features are based on the regulations existing at the time of designing the Projects, such as for example the minimum environmental flows, based on which the capacities of the plants are chosen. Another example seen by the Group is the current attempt by the State Government to impose policy amendments (increased administrative fees) retroactively, thereby tentatively adding unexpected costs to the Projects. Changes of policies and regulations applicable to the concerned licenses may require important changes to the features of the Projects, thereby necessitating important additional resources and time to redo the design and re-obtain the permits of the Projects. Another example

The non-renewal of licenses would lead to the impossibility to pursue the Project whereas additional requirements could result in important additional delays or even render the Projects economically unviable. Such delays or unavailability of permits and licenses would in turn result into the impossibility to reach financial close and start the project construction. The Group could therefore in this case lose the Projects and the equity already invested.

E. Risk of social unrest, anti-dam protests and law and order disturbances

This may result in the unwillingness of the State Government to enforce the concession agreement, pursue the project, acquire the land, and issue necessary permits, eventually resulting in the unlimited delay or abandonment of the project. The Group could therefore in this case lose the Projects and the equity already invested.

F. Unavailability or significant delays of long term bankable Power Purchase Agreements (PPA),

The Heo and Tato-1 tandem purpose is to generate and sell electricity. When ready with all the permits, the land and the required infrastructure, it will require a total funding of approximately USD 448 million (see section 5.2.2) of which around maybe 70% is to be funded by debt and 30% by equity (based on the standard assumption currently used by the Central Electricity Authority to compute tariffs). Such funding requires before the start of construction a long-term bankable contract for the sale of the electricity. PPAs depend notably on the decision/ability of DISCOMS (public electricity distribution companies) to undertake such kind of contracts, depending on the market conditions at that time. There is a risk of delays in securing such type of PPA, or even a risk of not securing at all such PPA for an undefined period, for the following reasons:

- Unwillingness or inability of DISCOMS to enter into such PPA due to the lack of proper regulatory framework. There is nowadays no tariff based bidding framework for hydropower and hydropower PPAs remain to be signed under a bilateral MOU route with a post commissioning tariff approval by state regulatory commissions. The lack of clarity of such procedures is one of the factors dissuading DISCOMS to sign long term hydro PPAs. The present procedure leaves the sensitive question of cost overruns bearing widely opened, and DISCOMS do not want to bear such risk given the potential cost overruns faced by hydropower projects. This situation has been lasting for a long time and there is a risk it continues for an undefined period of time.

- Unwillingness or inability of DISCOMS to enter into such PPA due to their stressed financial position. Most DISCOMS are heavily indebted to generators for the electricity they purchase but are unable to pay due to several reasons such as electricity theft, political unwillingness to increase consumer prices and network losses.

- Unwillingness or inability of DISCOMS to enter into such PPA due the India electricity market conditions such as the indirect impact of the solar and wind cheap power or a lack of demand.

- Change in the electricity distribution regulations or the tariff policies or an *Ad Hoc* decision from the DISCOMS resulting in unviable financial consequences such as electricity tariff unviable computation modalities, unfeasible deadlines, unviable penalties clauses, non-firm offtake, unviable guarantees of supply, etc…

The unavailability of PPA would in turn result into the unavailability of debt financing, and eventually the impossibility to start the Projects construction. The Group could therefore in this case lose the Projects and the equity already invested.

G. Risk of unavailability or significant delays of funding,

The availability of funding will be determined first by the appetite of the financial institutions (national or international), or their risk aversion, for this type of infrastructure projects in the Indian market conditions when the Projects reach financial close. The financial structure of the funding may take different forms and the feasibility and conditions of the funding will depend on the financial markets at that time. The conditions of the market at that time cannot be anticipated, and the funding will be exposed to the following risks:

- General lack of appetite of the financial sector for financing this type of project. That could for example be the case in case of persistent heavy exposure of the banking sector to bad infrastructure loans.

- Unwillingness or inability or *Ad Hoc* decision from financial institutions resulting in unviable financial terms and conditions such as: high interest rates, rate variability against fixed rates, high swap costs, currency constraints, unviable duration, unviable equity quantum requirement, unviable penalties in case of construction delays. Furthermore, the lenders might require certain levels of equity or guarantees, either from the Group or the PPA counterpart, which could not be provided.

- There is a risk of total or partial loss of the Group's equity, in turn preventing the Projects to reach financial close. The Group's treasury is intended to fund the equity of the Projects and is currently actively managed by the Company though a wide array of financial investments which are subject to various risk (see section 5.6.4).

- Inordinate delays in the coordination and negotiations of the financial close agreements due to their complexity and /or missing requirements (PPAs, transmission, parts of land acquisition incomplete) that could lead to the termination of the concession agreements by the State Government.

- Political risk / conflict with China. The state of Arunachal Pradesh where the Projects are located is claimed by China and, although there is no armed conflict on the ground, it is the subject of an open political conflict between China and India. This may deter international lenders to participate in the Projects' funding, in fear or retaliation measures and commercial sanctions from China. For example the International Finance Corporation from the World Bank does not finance projects in this area.

7.2 Hydroelectric project risks during the construction phase

None of the Group's projects is currently in a construction phase. Once the Indian Projects reach the construction phase, subject to above mentioned development risks, they will be subject to the following construction risks:

- Geological risk of unanticipated composition of soil preventing the excavation of the diversion canal or head race tunnels (7.1 Km for the tandem Heo and Tato-1) as originally planned;
- Defaults or errors in the feasibility studies and detailed design leading to the necessity of modifying the plant design once the construction has started;
- Unavailability or delay in delivery of material or equipment required for construction;
- Unavailability or delay in availability of skilled personnel required for construction;
- Unavailability or delay in availability of bankable / acceptable contractors;
- Any technical factors leading to delays in the progress of construction;
- Accidents and damages to men, machinery and the environment;
- Blockade of work by NGOs, land owners, anti-dam activists, etc…
- Litigation with contractors,

Construction risks have to be appreciated in the light of the Projects location, in Arunachal Pradesh. It is a remote location with little or no public infrastructure, little or no law and order and resulting in difficult logistics management. This may render the construction works more difficult than elsewhere. Due to the political conflict with China mentioned under section 5.6.1.iiv, international contractors may not be interested in participating in project construction

In case they materialize, these risk could lead to delays in the construction or definitely impede the commissioning of a project in extreme cases. Delays usually entail an increase of interests' payments during construction, and may entail penalties payable to the power purchaser and / or the State government depending on the contracts. They are always associated with cost overruns as they are caused by the necessity to fix unanticipated technical issues. The cost overruns entailed by delays can reach an extent that make the project financially unviable or affect heavily the returns on investment, leading to important impairments representing a partial or total loss. In extreme cases where the project is made unfeasible the concession may be terminated, resulting in a total loss of the project.

For the shareholder, these risks materialization would eventually result in a significant loss of shareholder's equity. The Shareholder's may lose the part or all of the investment made in the Shares.

7.3 Hydroelectric plants risks during the operation phase

The Group is currently operating the Rodeio Bonito 15MW hydropower plant in Brazil. During such phase the main risks lie in:

- a real average flow of water being less important than anticipated, for example, because of significantly lower rainfall than assumed by hydrological studies conducted during development phase of the project, reducing the generation of electricity whereas the investment has already been made. In Brazil the plant is part of the MRE[16] which mutualized the hydrological risk. However in case of important nationwide drought has seen in Brazil in 2017 and 2018, the Plant is required to make important payments to the system. All the plants in Brazil were affected and suffered from less power generation than planned.
- Plant technical breakdown that could lead to the stoppage of the electricity generation and sale;
- Technical breakdown of the transmission lines, preventing the plant to sell its power;
- Environmental issues resulting in the shutdown of the plan for some time. For example clams and algae invasions in the reservoir;
- Accidents, damages to men, machinery and the environment that could lead to the stoppage of the electricity generation and sale;
- Change in the local electricity market condition, price volatility, decrease of electricity price due to competition of cheaper sources;
- the insolvency of the off-taker, where sometimes public utilities are in bad financial shape due notably to network losses, electricity theft or payment default of their own end customers. These risk will be more acute for the Indian projects once they will be commissioned. No payment default has occurred in Brazil so far.
- Litigation with power purchasers.

Environmental risk (e.g. flood caused by a dam breaking or the impact of the reservoir on the fauna and flora) is generally not covered by insurance companies, whether it is related to an engineering error, to a defect or to an operational error. Important environmental issues during the plant operation, especially in case the fauna and flora are significantly affected, can lead to the definitive administrative shutdown of the plant.

In case of materialization, these risks could affect significantly the financial performance of the plant, and in turn the EBITDA of the Group which depends on it. In case of definitive shutdown, a total loss would be accounted for the Group. That eventually it would affect the shareholders' equity and the value of the Shares.

7.4 Risks related to the Group's financial assets portfolio

While developing the Indian projects, the Group manages its treasury to cover the operational costs and provide financial returns. The Group has invested over the years in an extremely diversified array of financial assets including mostly : corporate and government bonds in local and reserve currencies, equities, derivatives, direct lending and private equity investments (see section 5.3). Such financial

[16] In Brazil, « guaranteed energy » or « ensured energy » means the annually marketable energy as approved by MME – Ministério de Minas e Energia (Department of Mines and Energy) and guaranteed through the Brazilian power system for power plants opting for the MRE (Energy reallocation Mechanism), mechanism functioning at national scale, even if the production is impacted by a bad hydrology some years. This mechanism covers the hydrological risk in case some Brazilian areas are experiencing drought, whereas other areas are experiencing heavy rains. The guaranteed energy is usually sold through mid-term fixed inflation-linked contracts. However this mechanism does not cover the risk of a national drought across Brazil which results in an overall MRE system in deficit. In this case, the Rodeio Bonito plant EBITDA could collapse drastically as all participants of the MRE system will have their guaranteed energy reduced proportionally to the overall deficit. In this case the plant has to purchase electricity in the spot market to compensate for its generation deficit, called MRE payments as consumed purchases.

portfolio is subject to the risks described in this section. If such risks materialize, notably in case of general financial market crisis or bankruptcy of some of the issuers to which the Group is exposed, the Group could lose a very significant part of its financial assets. For the shareholders, these risks materialization would eventually result in a significant loss of shareholder's equity. The Shareholder's may lose the part or all of the investment made in the Shares as a consequence.

- Country risks – currency conversion risk

The Group operates internationally and holds both monetary and non-monetary assets denominated in currencies other than EUR, the functional currency. Foreign currency risk arises as the value of future transactions, recognized monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates.

As of 31st December 2019, the Group's balance sheet net monetary exposure to currencies is as follows:

- Euros (EUR)	9%
- US Dollars (USD)	67%
- Brazilian Reals (BRL)	10%
- Indian Rupee (INR)	8%
- Singapore Dollar (SGD)	3%
- Japanese Yen (JPY)	2%

As of 31st December 2019, 80% of the cash and financial assets are denominated in USD, whereas the Company accounts are in Euros, thereby exposing the Group to the risk of significant Forex losses in case of market movements on the Euro – USD exchanges rates.

The Group's balance sheet is also significantly exposed to Indian Rupee and Brazilian Real because of the significant investments made there for HEO, PAUK, TATO-1 and RODEIO BONITO concessions (Tangible and intangible assets) and because of the electricity sales in Brazilian Real of RODEIO BONITO (Yearly turnover).

The liquidity and trading value of foreign currencies could be affected by global economic factors, such as inflation, interest rate levels, and trade balances among countries, as well as the actions of sovereign governments and central banks. Adverse changes in currency exchange rates (relative to the U.S. dollar) may erode or reverse any potential gains from the Fund's investments in securities denominated in a foreign currency or may widen existing losses.

As of 31st December 2019 no hedging has been taken on the Property risk nor on risk of conversion of past or future income.

- Interest rate risk

The Group's cash is mainly invested in money market funds, deposit certificates, private and sovereign bonds, listed bonds, collateralized loan obligations, listed equity funds and listed equities and forward forex in Dollar, Euro and in other currencies of emerging countries where the Group is present. The Group is thus exposed to an interest rate risk and the financial result is thus sensitive to interest rate variation. The Group may lose money if short-term or long-term interest rates rise significantly or otherwise change in a manner not anticipated by the Group.
The total fair value of these financial instruments as of 31 December 2019 amounts to EUR 85.3 m.

- Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, investment in bonds, direct lending as well as outstanding receivables and committed transactions. The group invests in an extremely diversified array of financial assets including mostly : corporate and government bonds in local and reserve currencies, equities, direct lending and private equity investments (please section 3.1, financial assets). The group is mainly exposed to issuers in the BBB (EUR 4.8m), BB (EUR 18.0m), B (EUR 12.0m) and Non Rated (EUR 9.4m) categories (as defined by Standard's and Poor Global Ratings, "SP").

Credit risk refers to the possibility that the issuer of a security or the issuer of the reference asset of a derivative instrument will not be able to make principal and interest payments when due. Changes in an issuer's credit rating or the market's perception of an issuer's creditworthiness or market macro movements may also affect significantly the value of the Group's investment in that issuer. The degree of credit risk depends on both the financial condition of the issuer and the terms of the obligation. Securities rated in the four highest categories by the rating agencies (for S&P : AAA, AA, A and BBB), are considered investment grade but they may also have some speculative characteristics, meaning that they carry more risk than higher rated securities and may have problems making principal and interest payments in difficult economic climates. The BB and B categories corresponds non-investment grade considered speculative, entailing more default risks. The Non Rated category correspond to issuers who have decided not to be rated by Credit Agencies. Their size and characteristics vary a lot. But most of them should be considered Non-Investment grade bonds. Investment grade ratings do not guarantee that the issuer will not default on its payment obligations or that bonds will not otherwise lose value.

<u>Depending on market conditions, but also on the business situation of each issuer, there is a risk that one or several issuers default totally or partly, resulting in significant losses for the Group.</u>

- Price risk,

Given Group's array of investments, it is highly sensitive to the evolution of financial markets, especially the evolution of stock and bonds quotes and currency rates, which cannot be predicted.

- Use of financial instruments for hedging

No particular financial instruments are used for price, credit or liquidity risk hedging.

- Effect on the Shares in case risks materialize

In case the risks listed under this section 5.6 materialize to a significant extent, the Company could lose part, or all, of its hydropower assets, as well as its financial investment, rendering thereby the return on investment unlikely for shareholders due to the then possible near zero value and illiquidity of the Shares.

8. Sustainable development and Corporate Social Responsibilities

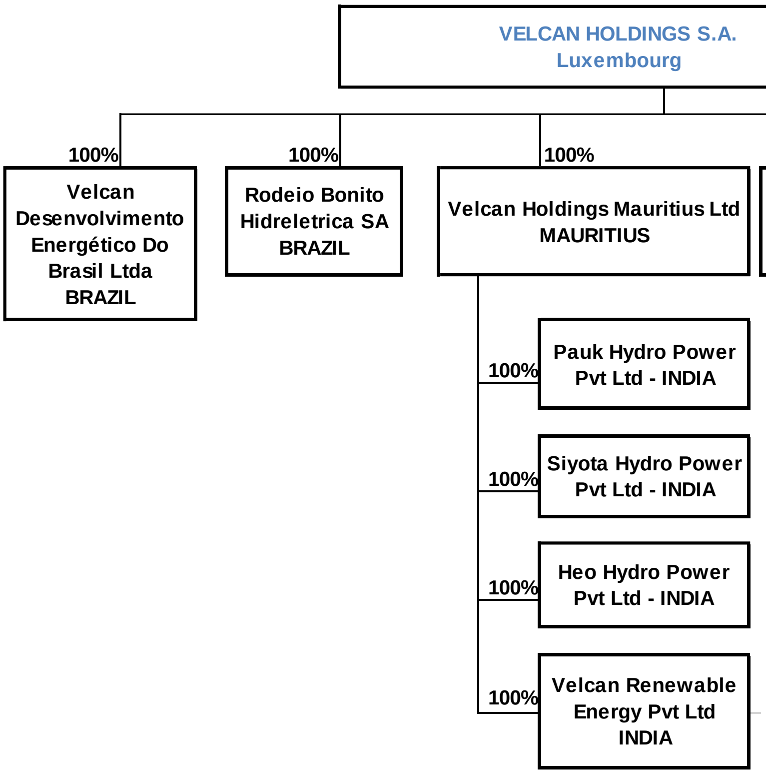
The Group focuses on generation of electricity from hydroelectricity, which is a **conventional** and **renewable** source of energy and which prevents the release of greenhouse gases into the atmosphere as opposed to electricity generation from fossil fuels. As a result of this “avoidance effect”, the facilities developed by the Group are, or may be given, the approval for generation of carbon credits by the United Nations. As of today, the Group concentrates mainly on small and medium scale "run-of-river", hydroelectric plants of the same type as the Rodeio Bonito project or the Indian projects, thus aiming at the optimal amount of energy production with the smallest possible environmental footprint. So far Rodeio Bonito Power Plant has produced approximately 481 GW/h of clean and green energy.

The Group regularly undertakes actions in corporate social responsibility activities in India for the benefit of local populations in the area where its three hydroelectric projects of the Yarjep River are located. For instance, in 2019, the Group made various financial contributions to local people such as a local cultural events and festivals. Donations with medical purpose have also been granted during the year.

9. Research and development

Apart from the technical studies and the development activities of the hydroelectric power projects, the Group has not undertaken significant research and development activity.

10. Organization Chart



As of 31st December 2019, Velcan Holdings SA, the parent company of the group, which is based in Luxembourg, controls 9 companies, direct or indirect subsidiaries, located in six countries: India, Brazil, the United Arab Emirates, Luxembourg, Mauritius, Singapore.

II. NON-AUDITED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidated statement of financial position (assets) - Unaudited

(in thousands of Euros)

Assets	31.12.2019	31.12.2018
Non current assets		
Intangible assets	11,923	13,630
Tangible assets	8,023	8,674
Non current financial assets	3,000	3,567
Total non-current assets	**22,946**	**25,872**
Current assets		
Current financial assets	72,854	63,839
Trade and other receivables	265	244
Income tax receivables	10	10
Other current assets	250	299
Cash and cash equivalents	27,168	30,383
Total current assets	**100,547**	**94,776**
Total assets	**123,493**	**120,647**

2. Consolidated statement of financial position (Liabilities) - Unaudited

(in thousands of Euros)

Liabilities	31.12.2019	31.12.2018
Equity		
Issued capital	5,831	6,282
Additional paid in capital	122,214	125,357
Other reserves and conversion reserves	(10,553)	(13,978)
Net income for the year	3,596	552
Equity attributable to the equity holders of the parent	**121,088**	**118,213**
Non-controlling interests	0	8
Total Equity	**121,088**	**118,220**
Non current liabilities		
Non current provisions	799	801
Other non current liabilities	1,040	1,043
Total non-current liabilities	**1,839**	**1,844**
Current liabilities		
Trade and other payables	492	515
Income tax payables	67	53
Other current liabilities	7	14
Total Current Liabilities	**566**	**583**
Total Liabilities	**123,493**	**120,647**

3. Consolidated statement of profit and loss and comprehensive income –unaudited

Statement of Profit & Loss	31.12.2019	31.12.2018
Operating revenues	2,846	2,580
Total operating revenues	**2,846**	**2,580**
Purchases	(195)	(355)
External expenses	(1,475)	(1,480)
Payroll expenses	(2,571)	(2,882)
Operating tax expenses	(6)	(10)
Depreciation, Amortization & Provisions	(2,876)	(696)
Current operating result	**(4,277)**	**(2,843)**
Other operating income	9	514
Operating result	**(4,268)**	**(2,329)**
Financial Income	11,807	8,003
Financial expenses	(3,700)	(4,931)
Financial Result	**8,108**	**3,071**
Income tax expense (-) / benefit (+)	(244)	(203)
Net result from continuing operations	**3,596**	**540**
Net result, group share	**3,596**	**552**
Net result, shares of non-controlling interests	**-**	**(12)**
Earnings per share (in Euros)	0.63	0.09
Diluted earnings per share (in Euros)	0.61	0.09

Statement of total comprehensive Income	31.12.2019	31.12.2018
Net income	3,596	540
Other comprehensive income, that will not be reclassified subsequently to profit or loss	(119)	(1,731)
Total Comprehensive Income	**3,477**	**(1,191)**
thereof attributable to non-controlling interests	(0)	12
Group Total Comprehensive income	**3,477**	**(1,179)**

4. Consolidated cash flow statements – unaudited *(in thousands of Euros)*

Cash Flows	31.12.2019	31.12.2018
Net consolidated profit	**3,596**	**540**
Adjustments:		
Amortization and depreciation	2,876	696
Impairment, provision and write back		
Income/loss from disposals of fixed assets	(0)	486
Expenses for share based payments	458	608
Interest and dividends Income	(4,933)	(4,300)
Change in deferred tax	-	-
Current Income tax expense (benefit)	244	203
Net change in fair value of financial instruments	(1,980)	4,716
Interests received	4,113	3,651
Dividends received	40	16
Current Income tax paid	(232)	(169)
Other non current operating income (expenses)	(9)	(514)
Other financial income and expense	(1,194)	(3,488)
Variation of operating working capital	10	56
Cash flows from operating activities	**2,987**	**2,501**
Purchase / sale of affiliates	8	491
Acquisition of tangible and intangible assets	(673)	(1,819)
Disposal of tangible and intangible assets	0	(636)
Acquisition/Disposal of financial instruments	(4,997)	(7,724)
Change in loans and advances granted	(631)	884
Other financial income and expense	1,194	3,488
Cash flows from investment operations	**(5,099)**	**(5,316)**
Net acquisition of own shares	(1,059)	(3,987)
Cash flows from financing operations	**(1,059)**	**(3,987)**
Net foreign currency translation differences	**(43)**	**(351)**
Net cash flow variation	**(3,214)**	**(7,153)**
Net opening cash	30,383	37,536
Net closing cash	27,168	30,383

5. Statement of changes in equity - unaudited

In thousands of euros	Capital	Additional paid in capital	Own Shares	Foreign currency translation reserves	Reserves & consolid. net income	Total Group interest	Minority interests	Total Equity
Situation at 01.01.2018	**6,605**	**130,783**	**(3,224)**	**(7,774)**	**(3,621)**	**122,770**	**21**	**122,790**
Net income	-	-	-	-	552	**552**	(12)	540
Other comprehensive income	-	-	-	(1,731)	-	**(1 731)**	(0)	(1,731)
Total comprehensive income	-	-	-	(1,731)	552	**(1 179)**	(12)	(1,191)
Capital decrease	(323)	(2,664)	2,987	-	-	**-**	-	-
Own Shares acquisition	-	-	(3,715)	-	-	**(3 715)**	-	(3,715)
Share based payments	-	-	-	-	336	**336**	-	336
Settlement in own share of share based payments	-	-	45	-	(45)	**-**	-	-
Other	-	-	-	-	-	**-**	(0)	(0)
Situation at 31.12.2018	**6,282**	**128,119**	**(3,907)**	**(9,504)**	**(2,777)**	**118,212**	**8**	**118,220**
Situation at 01.01.2019	**6,282**	**128,119**	**(3,907)**	**(9,504)**	**(2,777)**	**118,212**	**8**	**118,220**
Net income	-	-	-	-	3,596	**3,596**	0	3,596
Other comprehensive income	-	-	-	(120)	-	**(120)**	0	(119)
Total comprehensive income	-	-	-	(120)	3,596	**3,477**	0	3,477
Capital decrease	(451)	(3,235)	3,686	-	-	**-**	-	-
Own Shares acquisition	-	-	(1,331)	-	-	**(1,331)**	-	(1,331)
Share based payments	-	-	-	-	458	**458**	-	458
Settlement in own share of share based payments	-	-	316	-	(316)	**-**	-	-
Other	-	-	-	-	272	**272**	(8)	264
Situation at 31.12.2019	**5,831**	**124,884**	**(1,236)**	**(9,624)**	**1,232**	**121,088**	**0**	**121,088**

6. Note to the unaudited and condensed consolidated financial statements

In compliance with applicable regulations, Velcan Holdings publishes non-audited and condensed consolidated accounts from the financial year 2018 included, instead of audited IFRS consolidated accounts, and continues to publish audited Lux GAAP statutory financial statements, as previously (Part III of this report).

The consolidated financial statements below, which will include the same statements as those published to date, being a balance sheet, an income statement, a cash flow statement and a statement of changes in equity, but unaudited and in a simplified and condensed form, excluding IFRS notes.

Such accounts have been established following the same methodology and presentation as those published during the previous years, which thus maintains the comparability of the information and provide full information on the Group's financial position.

The consolidation scope covers the 9 companies is shown in the organization chart in chapter I. 10.

III. AUDITED STATUTORY FINANCIAL STATEMENTS

VELCAN HOLDINGS

(Formerly known as VELCAN)

Société Anonyme

RCS Luxembourg B145.006

REPORT OF THE REVISEUR D'ENTREPRISES AGREE
AND ANNUAL ACCOUNTS

2019 FINANCIAL YEAR

VELCAN Holdings

CONTENT

1. LEGAL INFORMATION

Name:	VELCAN HOLDINGS, the "Company". (formerly known as VELCAN)
Legal Form:	Société Anonyme (Public Limited Company)
Registered office:	11 Avenue Guillaume L-1651 Luxembourg
Company Registration Number:	RCS Luxembourg, B 145.006
Constitution:	Company incorporated on 12 February 2009 by notarial deed of Maître Paul DECKER.
Listing:	VELCAN is listed on the Luxembourg Stock Exchange ("EURO MTF" VLCN-FR0010245803). The Company never performed any Public Offer as understood under Directive 2003/71/CE of the European Parliament and Council.
Financial Year:	From January 1st to December 31st of each year.
Board of Directors:	Mr. Philippe PEDRINI, 81, rue de Pannebourg, B-6700 Waltzing, Belgique, Chairman of the Board Mr. Jean-Luc RIVOIRE, 33 Tanglin Road, St. Regis Residences, Singapore 247913, Director Mr. Antoine DECITRE, 27, Bukit Tunggal Road, 309712 Singapore, Director Mrs. Véronique WAUTHIER, 15 rue de Saeul, L-8562 Schweich, Luxembourg, Director Mr. Didier SCHÖNBERGER, 47 rue du Château, F-57970, Inglange France, Director.

2. PROPOSITION OF ALLOCATION OF THE ANNUAL RESULT

Proposition of allocation of the result

The net gain of financial year 2019 is mostly generated by the portfolio of financial assets. It amounts to EUR 1,022,470.75. The management is proposing following allocation:

	EUR
Profit or loss brought forward	(9,031,230.43)
Profit or loss for the financial year	1,022,470.75
Allocation to the legal reserve	-
Profit or loss carried forward	(8,008,759.68)

We propose to approve annual accounts as presented below and to pursue the Company’s activities.

For the Board of Directors

Tel. +352 45 123-1
www.bdo.lu

1, rue Jean Piret
Boîte Postale 351
L-2013 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

To the Shareholders of
VELCAN HOLDINGS (formerly known as VELCAN)
11, Avenue Guillaume
L-1651 Luxembourg

Opinion

We have audited the annual accounts of VELCAN HOLDINGS (the "Company"), which comprise the balance sheet as at 31 December 2019, and the profit and loss account for the year then ended, and notes to the annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of the Company as at 31 December 2019, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "*Commission de Surveillance du Secteur Financier*" (CSSF). Our responsibilities under the law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of the "*Réviseur d'Entreprises Agréé*" for the audit of the annual accounts » section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the *"Réviseur d'Entreprises Agréé"* for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the *"Réviseur d'Entreprises Agréé"* that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law dated 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with the Law dated 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the *"Réviseur d'Entreprises Agréé"* to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the *"Réviseur d'Entreprises Agréé"*. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Luxembourg, 29 April 2020

BDO Audit
Cabinet de révision agréé
represented by

p.p.

Jessica Ott

BDO Audit, Société Anonyme
R.C.S. Luxembourg B 147.570
TVA LU 23425810

4. ANNUAL ACCOUNTS

Page 1/2

Annual Accounts Helpdesk :

Tel. : (+352) 247 88 494
Email : centralebilans@statec.etat.lu

RCSL Nr. : B145006	Matricule : 2009.2202.802

ABRIDGED BALANCE SHEET

Financial year from 01 01/01/2019 **to** 02 31/12/2019 *(in* 03 EUR *)*

VELCAN HOLDINGS

11 Avenue Guillaume

L-1651 Luxembourg

ASSETS

		Reference(s)		Current year		Previous year
A. Subscribed capital unpaid	1101		101	0,00	102	0,00
I. Subscribed capital not called	1103		103	0,00	104	0,00
II. Subscribed capital called but unpaid	1105		105	0,00	106	0,00
B. Formation expenses	1107		107	0,00	108	0,00
C. Fixed assets	1109		109	150.492.498,36	110	150.733.826,04
I. Intangible assets	1111		111	603,04	112	603,04
II. Tangible assets	1125		125	0,00	126	0,00
III. Financial assets	1135		135	150.491.895,32	136	150.733.223,00
D. Current assets	1151		151	6.565.169,12	152	3.254.526,05
I. Stocks	1153		153	0,00	154	0,00
II. Debtors	1163		163	73.199,02	164	189.130,60
a) becoming due and payable within one year	1203		203	73.199,02	204	189.130,60
b) becoming due and payable after more than one year	1205		205	0,00	206	0,00
III. Investments	1189		189	4.915.654,30	190	2.020.573,37
IV. Cash at bank and in hand	1197		197	1.576.315,80	198	1.044.822,08
E. Prepayments	1199		199	43.395,40	200	0,00
TOTAL (ASSETS)			201	157.101.062,88	202	153.988.352,09

The notes in the annex form an integral part of the annual accounts

RCSL Nr. :	B145006	Matricule :	2009.2202.802

CAPITAL, RESERVES AND LIABILITIES

		Reference(s)		Current year		Previous year
A. Capital and reserves	1301		301	119.527.494,55	302	122.098.637,04
I. Subscribed capital	1303		303	5.830.820,00	304	6.281.967,00
II. Share premium account	1305		305	120.225.233,04	306	122.415.163,22
III. Revaluation reserve	1307		307	0,00	308	0,00
IV. Reserves	1309		309	1.480.201,19	310	2.432.737,25
V. Profit or loss brought forward	1319		319	-9.031.230,43	320	-8.259.501,12
VI. Profit or loss for the financial year	1321		321	1.022.470,75	322	-771.729,31
VII. Interim dividends	1323		323	0,00	324	0,00
VIII. Capital investment subsidies	1325		325	0,00	326	0,00
B. Provisions	1331		331	4.815,00	332	4.815,00
C. Creditors	1435		435	37.568.753,33	436	31.884.900,05
a) becoming due and payable within one year	1453		453	37.568.753,33	454	31.884.900,05
b) becoming due and payable after more than one year	1455		455	0,00	456	0,00
D. Deferred income	1403		403	0,00	404	0,00
TOTAL (CAPITAL, RESERVES AND LIABILITIES)			405	157.101.062,88	406	153.988.352,09

The notes in the annex form an integral part of the annual accounts

Annual Accounts Helpdesk :

Tel. : (+352) 247 88 494
Email : centralebilans@statec.etat.lu

RCSL Nr. :	B145006	Matricule :	2009.2202.802

ABRIDGED PROFIT AND LOSS ACCOUNT

Financial year from 01 01/01/2019 **to** 02 31/12/2019 *(in* 03 EUR *)*

VELCAN HOLDINGS

11 Avenue Guillaume

L-1651 Luxembourg

ABRIDGED PROFIT AND LOSS ACCOUNT

		Reference(s)		Current year		Previous year
1. to 5. Gross profit or loss	1651		651	-858.787,94	652	544.581,40
6. Staff costs	1605		605	0,00	606	0,00
a) Wages and salaries	1607		607	0,00	608	0,00
b) Social security costs	1609		609	0,00	610	0,00
i) relating to pensions	1653		653	0,00	654	0,00
ii) other social security costs	1655		655	0,00	656	0,00
c) Other staff costs	1613		613	0,00	614	0,00
7. Value adjustments	1657		657	0,00	658	-90.231,96
a) in respect of formation expenses and of tangible and intangible fixed assets	1659		659	0,00	660	0,00
b) in respect of current assets	1661		661	0,00	662	-90.231,96
8. Other operating expenses	1621		621	0,00	622	0,00

The notes in the annex form an integral part of the annual accounts

RCSL Nr. : B145006	Matricule : 2009.2202.802

		Reference(s)		Current year		Previous year
9. Income from participating interests	1715		715	211,55	716	0,00
a) derived from affiliated undertakings	1717		717	211,55	718	0,00
b) other income from participating interests	1719		719	0,00	720	0,00
10. Income from other investments and loans forming part of the fixed assets	1721		721	537.268,87	722	542.742,37
a) derived from affiliated undertakings	1723		723	537.268,87	724	542.742,37
b) other income not included under a)	1725		725	0,00	726	0,00
11. Other interest receivable and similar income	1727		727	2.749,37	728	1.468,44
a) derived from affiliated undertakings	1729		729	1.344,45	730	1.461,93
b) other interest and similar income	1731		731	1.404,92	732	6,51
12. Share of profit or loss of undertakings accounted for under the equity method	1663		663	0,00	664	0,00
13. Value adjustments in respect of financial assets and of investments held as current assets	1665		665	1.509.552,15	666	-535.890,66
14. Interest payable and similar expenses	1627		627	-163.703,75	628	-1.229.559,90
a) concerning affiliated undertakings	1629		629	-145.945,48	630	-1.229.082,31
b) other interest and similar expenses	1631		631	-17.758,27	632	-477,59
15. Tax on profit or loss	1635		635	0,00	636	0,00
16. Profit or loss after taxation	1667		667	1.027.290,25	668	-766.890,31
17. Other taxes not shown under items 1 to 16	1637		637	-4.819,50	638	-4.839,00
18. Profit or loss for the financial year	1669		669	1.022.470,75	670	-771.729,31

The notes in the annex form an integral part of the annual accounts

5. NOTES TO THE STATUTORY FINANCIAL STATEMENTS

1. ACTIVITY AND OBJECTS

The Company can engage in all commercial activities relating directly or indirectly to the acquisition of participations in any form whatsoever, in any enterprise either with a legal status of corporation by shares or with a legal status of partnership, as well as the administration, management, control and development of these participations.

It may use its funds for the setting-up, management, development and liquidation of a portfolio consisting of any kind of securities, to participate in the founding, development and control of any enterprise, to acquire by way of capital contribution, subscription, underwriting or purchase option or any other way, any securities, to sale, transfer, exchange those securities, to grant support, loans, advances or guarantees to any company in which it has a direct or indirect interest.

It may also proceed with the acquisition, management, operation, sale or lease of any property, furnished or unfurnished and generally engage in any and all real estate operations with the exception of those of property dealers and investment and cash management in the Grand Duchy of Luxembourg or abroad.

In general, the Company may carry out any property, movable, immovable, commercial, industrial or financial operations, as well as all transactions and operations to promote and facilitate directly or indirectly the achievement of its objects or its extensions.

VELCAN HOLDINGS is the parent company of a group owning a wide array of financial and industrial assets. VELCAN HOLDINGS is developing, financing, building and operating hydro power concessions in Brazil and India. Its shares are listed on the Euro MTF stock exchange, Luxembourg Stock Exchange. It also owns bonds, equities and not listed investments in a variety of countries and in a variety of currencies.

VELCAN HOLDINGS is preparing statutory financial statements under the Luxembourg GAAP. In compliance with applicable regulations, VELCAN HOLDINGS is not required to publish IFRS audited consolidated accounts, but also voluntarily publishes non-audited and condensed consolidated accounts from the financial year 2018 included (before financial year 2018, the IFRS consolidated accounts used to be audited as well).

Both the audited statutory GAAP financial statements and the unaudited condensed and consolidated statements are available online at www.velcan.lu and at:

VELCAN HOLDINGS
11, Avenue Guillaume
L-1651 Luxembourg

2. ACCOUNTING PRINCIPLES

2.1. General Principles

The annual accounts are prepared in accordance with Luxembourg legal and regulatory requirements and generally accepted accounting practices (GAAP).

2.2. Foreign Currency Translation

The Company maintains its accounting in Euro (EUR) and the balance sheet and the profit and loss are expressed in that currency. On the balance sheet date, non-monetary items denominated in a currency other than the reporting currency are translated at historical exchange rates.

Monetary balance sheet items denominated in a currency other than the reporting currency are valued based on the exchange rate in effect at the date of the balance sheet. However under the principle of prudence, only translation differences related to losses are recognized in profit and loss; unrealized gains are deferred.

2.3. Financial Assets

The financial assets mainly consist of shares in affiliated undertakings, as well as of loans granted to affiliated undertakings and deposits.

The shares in affiliated undertakings are recorded at cost. At the closing date of the year, the Board of Directors estimates the fair value of such shares and books a value adjustment if the impairment value is deemed permanent. Loans in financial assets are booked at their nominal value. A value adjustment is booked if the Board of Directors estimates that the repayment at maturity is fully or partly uncertain or compromised.

Deposits are recorded at their nominal value.

Other investments are recorded at their acquisition value. At the financial year closing date, an impairment is recorded when the fair value assessed is less than the acquisition price. Unrealized gains are not recognized.

2.4. Current assets

Receivables in current assets are recorded at their nominal value. A value adjustment is booked if the Board of directors assessed that the repayment at maturity is wholly or partly uncertain or compromised.

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

2. ACCOUNTING PRINCIPLES (continued)

2.5. Cash

Cash comprise cash at bank and cash in hand are recorded at their nominal value.

2.6. Debts

Debts are recorded at their nominal value.

2.7. Own shares

Own shares are presented as ''Investments'' under current assets in the balance sheet.

Own shares are acquired for below purposes:

- Delivery of shares to employees, management or consultants of the company in future years
- Cancellation and capital reduction.

Own shares are initially recorded at acquisition cost and a non-distributable reserve of the same amount is created.

At the financial year closing date, an impairment is recorded when the fair value assessed is less than the acquisition price. Unrealized gains are not recognized.

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

3. FINANCIAL ASSETS

EUR	Shares in affiliated undertakings	Amounts owed by affiliated undertakings	Securities held as fixed assets	Total
Nominal value/Historical cost as at January 1, 2019	150,082,316.91	10,518,823.73	10,000.00	160,611,140.64
Current year additions	0.00	537,268.87	0.00	537,268.87
Current year disposals/reductions/Reimbursements	0.00	-2,214,422.95	0.00	-2,214,422.95
Foreign currency impacts	0.00	-143,236.35	0.00	-143,236.35
Nominal value/Historical cost as at December 31, 2019	0.00	0.00	0.00	0.00
Value adjustments	150,082,316.91	8,698,433.30	10,000.00	158,790,750.21
Accumulated depreciation as at January 1, 2019	-6,318,392.49	-3,559,525.15	0.00	-9,877,917.64
Current year allowance	0.00	0.00	0.00	0.00
Current year reversal	659,312.00	908,894.00	0.00	1,568,206.00
Foreign currency impacts	0.00	10,856.75	0.00	10,856.75
Accumulated depreciation as at December 31, 2019	-5,659,080.49	-2,639,774.40	0.00	-8,298,854.89
	0.00	0.00	0.00	0.00
Net book value as of January 1, 2019	143,763,924.42	6,959,298.58	10,000.00	150,733,223.00
Net book value as of December 31, 2019	144,423,236.42	6,058,658.90	10,000.00	150,491,895.32

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

3. FINANCIAL ASSETS (continued)

Detail of shares in companies above 20% of controlling interests (in EUR)

Company Name	Country/ functional currency	Percentage of holding as of 31/12/19	Last financial year end	Statutory' s profit/loss in local currency	Statutory' s net shareholder's equity 31/12/19 in local currency (*)	Net book value in VELCAN books as at 31/12/19 (EUR)
Velcan Holdings Mauritius Ltd (formerly known as Velcan Energy Mauritius Ltd)	Mauritius/ EUR	100%	31/12/2019	3 175 522	136 240 112	133 500 891
Velcan Holdings Singapore Pte. Ltd (formerly known as Velcan Energy Singapore Pte. Ltd)	Singapore/ SGD	100%	31/12/2019	244 118 **	2 870 182 **	1 902 295
Rodeio Bonito Hidrelétrica LTDA.	Brazil/ BRL	99,99%	31/12/2019	4 466 851	34 665 420	9 020 050 ***
Velcan Desenvolvimento Energetico Do Brasil Ldta	Brazil/ BRL	99,99%	31/12/2019	(55 597) **	(8 167 470) **	1.00
Velcan Energy Holdings (Dubai) Ltd	UAE/ AED	100%	31/12/2019	(3 696 464) **	(29 422 858) **	0.00

* The net income for the financial year 2019 is included in the net shareholder's equity

** Non audited

*** A loan (denominated in BRL) of EUR is booked in Velcan Holdings accounts of 2019 financial year.

4. INVESTMENTS

As at 31 December 2019, the Company holds:

- 146,900 own shares (2018: 271,843), which include 7 050 shares purchased under the third buyback program (see note 5.2) and 139,850 shares previously held by a wholly owned subsidiary of the Company (see note 9.2) for a total amount of EUR 1,068,037.31
- A diversified portfolio of equities denominated in Japanese Yen currency (JPY) valued at EUR 2,562,972.81 (JPY 312,349,490)
- Shares of Exchange traded fund denominated in US Dollar currency, bought to partially cover the above-mentioned JPY portfolio, valued at EUR 1,284,644.18 (USD 1,440,600)

5. SHARE CAPITAL

5.1. Subscribed share capital

Date	Description	Number of shares	Nominal value per share	Subscribed capital - EUR
1 January 2019	Opening subscribed capital	6 281 967	1.00 €	6 281 967.00
8 August 2019	Capital decrease	-197 019	1.00 €	-197 019.00
8 August 2019	Capital decrease	-254 128	1.00 €	-254 128.00
31 December 2019	Closing subscribed capital	5 830 820	1.00 €	5 830 820.00

As at 31 December 2019, the subscribed capital amounts to EUR 5,830,820.00 represented by 5,830,820 fully issued and subscribed shares with a nominal value of EUR 1 each.

5. SHARES CAPITAL (continued)

The authorized share capital amounts to EUR 30,000,000.00 represented by 30,000,000.00 shares with a nominal value of EUR 1 each.

5.2. Own shares

The company holds own shares and pursue share buyback programs for two reasons:

- Capital reduction by cancellation of purchased shares
- Future service of free share plans and securities giving access to the capital

5.2.1. Share buyback programs

The details of all share purchases are available on the Company's website (http://www.velcan.lu/investors/other-regulated-information/).Below table summarize the purchase of own shares through buyback programs made by the Company:

owned as of 01/01/2019	94,793
shares purchased in 2019	166,385
Nominal value of 1 share	1.00
Nominal value of shares purchased in 2019	166,385
Cancelled during 2019 (Capital decrease on August 2019)	254,128
Sold during 2019	-
Percentage of capital bought back in 2019 (based on the share capital as of 31/12/2019)	2.85%
Total price paid towards share buybacks in 2019	1,330,575
Average unit price of shares bought in 2019	8.00
owned as of 31/12/2019	7,050
Percentage of capital held as of 31/12/2019 (based on the share capital as of 31/12/2019)	0.12%

The purchases made in 2019 are part of 2 different programs, one started in 2018 and ended on 16th May 2019 and one started on 17th December 2019 and not ended as of 31/12/2019 (see note 14. Subsequent events).

5.2.2. Other transaction on own shares

The Company has also acquired own shares from its wholly owned subsidiary Velcan Holdings Mauritius Ltd as summarized below:

Owned as of 01/01/2019	177,050
Shares purchased in 2019 from a wholly owned subsidiary	197,019
Nominal value of 1 share	1.00
Nominal value of shares purchased in 2019	197,019
Cancelled during 2019 (on August 2019)	197,019
Nominal value of shares delivered as free shares (see note 7)	37,200
Sold during 2019	-
Transfer price of the shares acquired from the subsidiary in 2019	1,582,062
Average unit price of shares bought in 2019	8.03
Owned as of 31/12/2019	139,850
Percentage of capital held as of 31/12/2019 (based on the share capital as of 31/12/2019)	2.40%

5. SHARES CAPITAL (continued)

The shares purchased by the Company to its subsidiary were already owned by its wholly owned subsidiary for several years. They were not purchased by the subsidiary in the market as part of buyback programs.

5.2.3. Summary of own shares owned:
As a consequences of transaction in 5.2.1 and 5.2.2, the Company hold own shares as below:

Owned as of 01/01/2019	271,843
Owned as of 31/12/2019	146,900
Percentage of capital held as of 31/12/2019 (based on the share capital as of 31/12/2019)	2.52%

5.3. Equity warrants

The Company has issued equity warrants during previous financial years to consultants of the Company and its subsidiaries. One equity warrant gives the right to apply for one share.

As of the 31 December 2019, the following equity warrants are issued and still valid:

Warrant ref.	Issue date	Number of warrants existing	Number of warrants exercisable	Subscription price	Expiry date
BSA2013-1	23/04/2013	13 600	13 600	EUR 10	23/04/2023
BSA2013-2	23/04/2013	8 000	8 000	EUR 21.4	23/04/2023
BSA2015-1	20/08/2015	3 200	3 200	EUR 9.5	20/08/2025

As of the 31 December 2019 there are no other financial instruments convertible in shares or giving access to the share capital of the Company.

6. BENEFICIARY SHARES AND VOTING RIGHTS

Beneficiary Shares (also sometimes known as Founders' Shares) are issued by the Company, in accordance with Article 430-1 of the Luxembourg Law of 10th August, 1915 on commercial companies. Those Beneficiary Shares are different from ordinary shares as they do not give access to the Company's share capital. As provided for in article 7.7 of the Article of Association of the Company, one Beneficiary Share gives one voting right to its owner in the Company's General Meetings. One Beneficiary Share is allocated to a shareholder against each share continuously registered for a period of 4 years under such shareholder's name in the nominative register held directly by the custodian specially appointed by the Company for that purpose (BNP Paribas Securities Services as of 31 December 2019). A second Beneficiary share is allocated to the shareholder of each share continuously registered for a period of 6 years under the shareholder's name in the nominative register held directly by the custodian specially appointed by the Company for that purpose (BNP Paribas Securities Services as of 31 December 2019). As a result, the total number of voting rights in the Company, existing at 31 December, 2019, is as follows: 9 898 230 votes.

7. FREE SHARES AND SHARE BASED PAYMENTS

7.1 Free shares allocated during the year

In August 2019 the Company has attributed free shares to some employees and management executives of the Group. As of 31 December 2019, the vesting of free shares under such plan is as follows:

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	TOTAL
Vesting of Free Shares (in shares)	**13,100**	**13,100**	**13,100**	**10,000**	**10,000**	**10,000**	**69,300**
Of which distributed	-	-	-				-
Of which undistributed	13,100*	13,100	13,100	10,000	10,000	10,000	69,300

* Distributed in January 2020

7.2 Free shares allocated in previous year

In September 2017 the Company has attributed free shares to some employees and management executives of the Group, including some related parties as described in note 8 below.

As of 31 December 2019, the pending vesting of free shares under such plan is as follows:

	FY 2019	FY 2020	FY 2021	TOTAL
Vesting of Free Shares (in shares)	**33,625**	**33,250**	**375**	**67,250**
Of which distributed	-	-	-	-
Of which undistributed	33,625*	33,250	375	67,250

* Distributed in January 2020

7.3 Expenses booked in accounts related to Free Shares:

A total expense of EUR 355,110 (2018: EUR 325,515.15) has been recognized in the gross profit or loss in 2019 corresponding to:

- the 33,625 shares vested in 2019 and delivered in 2020 (see 7.1 above) booked at a unit cost of EUR 7.6.
- the 13,100 shares vested in 2019 and delivered in 2020 (see 7.1 above) booked at a unit cost of EUR 7.6.

8. RELATED PARTIES TRANSACTIONS

During the financial year 2017, two members of the board of directors have concluded free share grant agreements for a total of 292 500 free shares, as part of the free shares Grant mentioned in note 7.2. These agreements provide for a vesting period of 4 years ending on 31 December 2020. These have remained in force and unchanged during 2019, with the vesting of 32,500 shares as on 31 December 2019, delivered to the concerned directors in January 2020. The related cost of EUR 247,000 (2018: EUR 237,250) for 2019, at a unit cost of EUR 7.6 has been recognized in 2019 annual accounts as part of the amount of EUR 355,110 (2018: EUR 325,515.15) described above under note 7.3 . A total of 32,500 shares remain to be vested in 2020 towards the final execution of this transaction.

9. RESERVE

9.1 Legal reserve
As required by law in Luxembourg, 5% of the Company's net result for the year (less accumulated losses brought forward if any) shall be allocated to a legal reserve whenever it is a net profit. This allocation ceases to be mandatory when the reserve reaches 10% of paid up capital.
The legal reserve is not available for dividend distribution. Considering that the profit and loss carried forward in previous years was negative, no reserve has been set up neither in 2019 nor 2018.

9.2 Own shares reserve
As required by Luxembourg Law, when a company has acquired its own shares and if the said shares are included among the assets shown in the balance sheet, a non-distributable reserve (for dividend purpose) of the same amount shall be created among the liabilities.

This reserve has been booked against the share premium of the Company for an amount of EUR 1,068,037.31 (2018: 2,020,573.37) corresponding to the amount booked as Own shares in ''investments'' under current assets (see note 5.2 above for the detail of those acquisition).

10. TAX RATE

The Company is fully taxable at a maximum rate of 24,94% (2018: 26.01%) on its net income. The Company is also liable to the Luxembourg Wealth Tax at the rate of 0.5%, calculated on the basis of its net equity at the beginning of the following financial year.

11. OFF BALANCE SHEET COMMITMENTS

The Company has issued letter of support to affiliated undertakings which could require it to provide financial support in the form of working capital contribution during the year in order that those affiliated undertakings continue to operate on a going-concern basis.

12. EMPLOYEES

The Company does not employ any employee as it does not have operational functions.

13. TURNOVER

The turnover for the year 2019 represents costs re-invoiced to subsidiaries.

14. SUBSEQUENT EVENTS

COVID 19 – Crisis consequences:
In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The most significant impacts are the following:

14. SUBSEQUENT EVENTS (continued)

- The Mauritian subsidiary is holding a bond portfolio having a value of EUR 56.6 m (excluding accrued interests) as on 31/12/2019. On the 14th of February the bond portfolio had been reduced to EUR 42 m (excluding accrued interests). Since then the current market crisis linked to the covid-19 epidemic has significantly decreased the value of this portfolio. As of the 14th of April, these same bonds had a value of EUR 36.1m to which an additional EUR 0.4 m has been added for a total value of EUR 36.5 m. The decrease is of approximately 14% since mid-February, which is in the range of the market decline for such bonds. Thanks to the US Federal Reserve announcements the news flow has been more positive on the High Yield Bonds asset class recently. But it has to be noted that this is still an illiquid asset class where prices are more difficult to ascertain than before.
- As of 31/12/2019, the Company and its subsidiaries had investments worth EUR 6.7 m in listed equities of which EUR 2.4 m were equity shorts to hedge the portfolio holdings and EUR 0.9 m in Gold ETFs and gold mining equity. Until the Covid-19 related crisis, the equity markets provided no sufficient reward vs the risks entailed by their level. Given the market turmoil and heavy decreases of listed equity price levels, the Company and its subsidiaries increased their equity exposure to listed equity in 2020. As of the 14th of April 2020, the general equity exposure was of EUR 21.1 m, of which EUR 6.97 m where equity shorts to partially hedge the portfolio holdings. In addition to this, the Company's subsidiaries held in its Commodity asset class EUR 5.4m of Gold ETFs and gold mining stocks.
- The Mauritian subsidiary is developing hydroelectric projects in India through local wholly owned subsidiaries. The land survey, part of the section 19 of the land acquisition procedure, was suspended until further notice due to administrative lockdown and social distancing measures, as it involves mainly village council and committees meetings. Administrative procedures as well as the search for a power purchase agreement (PPA) have also practically been stalled by confinement measures and will be subject to the reopening of concerned Government offices. Covid-19 also has a triggered consequences on the electricity market, materialized by a large slump in power demand, a fall in the spot market prices and an increase of electricity distribution companies' defaults on PPA payments to generators. Due to the lockdown, peak demand of electricity has dropped by 28% from 20th to 30th March 2020. Spot power price touched a three years low of INR 0.6 per unit on 25th March 2020 due to low demand. It has to be assessed further in the future whether this crisis will have long term consequences on the electricity market in the world and in India. Those project have a total value in the accounts of the Mauritian subsidiary of EUR 8.3 m (6% of the entity's net shareholder's equity value).
- The Dubai subsidiary is managing a litigation linked to a shipping senior loan it made in previous years. A ruling was expected regarding one pending vessel arrest at the end of March 2020 in Nigeria. Unfortunately all the Courts have been closed and the judiciary procedures in Nigeria have been suspended accordingly until further 27th April 2020, subject to extension, due to the pandemic crisis. Upon reopening of courts, the subsidiary will seek new dates for the ongoing procedures.

14. SUBSEQUENT EVENTS (continued)

- The Brazilian subsidiary, Rodeio Bonito Hidreletrica Ltda., is owning a dam in Brazil. The impact on PPA prices when the contract renewal will be due is difficult to predict but could be downside in the short term and uncertain in the long term. For now a visible impact is the fall of the Brazilian Currency which could have a significant negative impact on 2021 accounts of the Company since it already represent a potential loss of EUR 2m in the retranslation in euro of the Brazilian assets in the Company's books.

At this point, the Company cannot reasonably estimate the duration and severity of this pandemic, which could have a material adverse impact on its business, results of operations, financial position and cash flows.

Share Buy-Back programs and Own shares:

The share buyback program initiated on 17th December 2019 (as described above in note 5.2) ended on 13th March 2020. Under this program, the Company purchased 300,000 shares, representing 5.15% of its share capital, at a weighted average price of Eur 6.67 for a total amount of Eur 2,029,662.00 in accordance with the description of the share buyback program and the resolutions of the General Meetings of Shareholders held on June 28th, 2017 and July 28th, 2017.

Following the announced objective of the above mentioned buyback program (ended in March 2020), the Board of Directors has decided to cancel 278,500 shares bought back, and to keep 21 500 shares to cover for future exercises of securities giving access to the capital. The cancellation will result, once the formalities are completed[1], in a reduction of the Company's capital to bring it from its current amount of five million eight hundred thirty thousand eight hundred twenty euros (EUR 5,830,820), to five million five hundred fifty two thousand three hundred twenty euros (EUR 5,552,320) divided into five million five hundred fifty two thousand three hundred twenty (5,552,320) shares with a par value of one euro (EUR 1) each.

The Board of Directors has initiated another share buyback program on 13th March 2020, which is over as of the date of the report. It entails purchase of a maximum number of 300,000 shares, representing 5.15% of its share capital, at a maximum purchase price per share of five euros and ten cents (EUR 5.1), excluding acquisition costs. Under this program, the maximum total amount that the company may allocate to the buyback of its own shares shall not exceed Euros 1,530,000.00 excluding acquisition costs. The purpose of the buyback programme is to buy back shares of the Company from shareholders wishing to sell them at current market conditions, but not finding sufficient liquidity, in view of their cancellation, towards active management of the shareholders' funds.

The details of all share purchases under this program are available on the Company's website (http://www.velcan.lu/investors/other-regulated-information/).

Free Shares delivery:

33,625 shares vested in 2019 were delivered in 2020 (see 7.1 above)

13,100 shares vested in 2019 were delivered in 2020 (see 7.2 above)

The Board of Directors has no knowledge of other significant subsequent events which could have a significant impact on the Company's financial statements or which could affect the continuity of operations.

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[1] Capital reduction notarized act has been passed on 2nd April 2020, formalities are under progress as of the date of this report