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

FINANCIAL YEAR ENDED 31st DECEMBER 2020

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 other power project is a cascade of hydropower concessions located in India and totaling 571 MW currently under development. Velcan Holdings actively manages its treasury, investing in listed and unlisted financial investments.

Non Audited Consolidated Financial Data
in Million Euros

	31.12.2020	31.12.2019	Var %
§ Turnover	2.5	2.8	-12%
§ EBITDA	-2.0	-1.4	-45%
§ Net result	2.1	3.6	-41%
§ Cash & Financial assets*	105	103	+1%
§ Cons. Equity	116	121	-4%

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 other 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.

After prospecting and developing a large portfolio of hydropower projects over the past years, the Group has divested its projects in Indonesia and Lao PDR and now focuses on its Indian projects, which the Group believe will eventually present competitive techno-economic parameters combined with low environmental impacts. The Group has brought to an advanced stage of development two of its 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. These 2 projects will require for their completion and construction phase an investment of approximatively EUR 370 to 480 million, depending on the Indian rupee exchange rate[1].

Velcan Holdings actively manages its treasury, investing in listed and unlisted financial investments. As of 31st December 2020, 12% of the assets of the group are deployed in power projects or plants, 88% in mostly listed financial investments, cash and cash equivalents (bank current accounts and deposits), net of bank overdrafts (booked in current financial liabilities).

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 the Fiscal Year 2020, despite the many efforts and various attempts the Group's existing hydropower concessions located in India (571 MW) saw little progress due to long lasting administrative impediments faced notably in the land acquisition procedure and the hydroelectricity distribution regulatory framework. The Group continued to operate its Rodeio Bonito hydropower plant, amidst another year of very low precipitation levels in the South of Brazil.

The Rodeio Bonito plant generation was much lower compared to 2019. The generation was already very moderate due to precipitation levels still below historical average in 2019, but 2020 was significantly worse in terms of precipitation level and electricity generation from the plant (-40%). At constant foreign exchange rates the turnover has grown (+18%) thanks to the inflation on selling prices. In Euro the turnover is down by 12% (EUR 2.5 m in 2020 vs EUR 2.8 m in 2019) because of the massive depreciation of the Brazilian currency in 2020 (-41%).

The EBITDA of the Group is down by 45% (EUR -2.0 m in 2020 vs EUR -1.4 m in 2019).

VELCAN HOLDINGS Group also continued to manage actively its treasury throughout a complicated year marked by the Covid-19 pandemic and its impact on the financial markets. The Group executed an important reallocation of its investments in other asset classes. The Group started the year with a portfolio invested at approximately 60% in bonds, mostly high yield corporate ones.

[1] Indicative figure based on an INR cost example for a commissioning 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.

This bond portfolio was reduced by approximately half in January and February, as the rewards seemed not any more commensurate with the potential default risks. Since the March 2020 market crunch, the Group has gradually changed its asset allocation to include more exposure to equity and commodities (mostly gold).

As of 31st December 2020, the bonds exposure, including T-bills was reduced to 19% of the portfolio (64% as of 31/12/19), whereas the rest of the portfolio of cash, financial assets and financial liabilities (EUR 104.5 m) included

- a negative net cash position of EUR 9.3 m (-9% of the portfolio) versus a positive net debt position of EUR 27.2 m in 2019 (25% of the portfolio),
- 19% of gold related exposure (versus 1% as of 31/12/2019),
- 21% of oil related stocks (none as of 31/12/2019),
- 4% of silver related stocks (none as of 31/12/2019),
- 42% of equity (excluding oil) long positions (7% as of 31/12/2019),
- 4% of equity short positions (2% in 2019),
- 1% in private equity and credit (3% in 2019).

This strategy of reallocation of the financial assets proved profitable as the Group net financial assets rose from Eur 103 million to Eur 105 million and the financial result amounted to EUR 7.7 m as of 31/12/2020 stable when compared to 2019 (EUR 8.1 m) despite the COVID-19 crisis.

Given the current very low levels of benchmark rates in all developed markets (USA, Europe and Japan), the Group does not anticipate it will increase again its investments in corporate bonds in the medium term. I

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 the 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 were started in the end of February 2020. However the village councils and committee meetings with land owners were suspended due to the Covid-19 outbreak. This stoppage led to an extension of the procedure deadline, and the procedure could restart only in February 2021 (see infra).

Mid-March 2020 the share buyback program launched in December 2019 was completed. 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 Company cancelled in April 2020 278,500 shares bought back, and kept 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 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.

In Mid-September 2020, the Company amended the share buyback programme initiated on 13th March 2020. Under such programme and as of 17th September 2020, the Company had bought back a total of 112,104 shares at a weighted average price of 4.85 euros per share and for a total amount of 543,879 euros. Taking into account the price and liquidity levels that have occurred since the end of March 2020, the Board of Directors decided to amend the maximum purchase price per shares to 7 euros for the remaining 187,896 shares to be bought under the programme, with the aim of buying shares of the Company from shareholders wishing to sell them. At the end of the year the Company had bought 199 397 shares under this buyback programme.

On 26th September 2020, the Government of Arunachal Pradesh extended the timeframe for the land acquisition procedure of the Indian hydropower projects of the Group. The “Section 19 notification” was due by 26th September 2020. Such notification is the act by which the State Government declares further that the concerned land is needed for public purpose, based on the completion of the second phase of the acquisition procedure. This second phase started after the Section 11 notification, which was issued on 26th September 2019, and includes all activities required by applicable regulations such as onsite land survey, the marking of land boundaries on the ground in view of the establishment of the final list of land owners, the hearing of individual objections, the ruling on such objections, the detailed census of affected families, the preparation and publication of Rehabilitation & Resettlement schemes to the benefit of affected families and public hearings on such proposed schemes in affected villages. The above activities, which are under the exclusive purview of the State Government, could not be completed on time due to the stoppage of survey in February 2020 (see above). A first meeting was held, between the local land owners and the committee, on 24th February 2020 but without positive outcome. Another committee meeting was schedule on 24th March 2020. However such meeting could not be held due to COVID-19 lockdown and related restriction measures, and was postponed indefinitely by a Government order dated 19th March 2020. Since then COVID-19 restrictions had been extended numerous times, the State Government could not restart the procedure before February 2021, and could therefore not complete the activities required by Law to reach the “Section 19 notification” on time. As a result, in compliance with the possibility offered by applicable regulations, the State Government decided a time extension of 12 months, until 25th September 2021, to issue the “Section 19 Notification”.

On 30th October 2020 Velcan Holdings published half yearly accounts as of 30th June 2020 and thereby decided, in view of the uncertainties and the delays suffered by the hydropower projects, an additional provision representing 20% of the intangible gross value of the Indian projects. That additional provision of EUR 2.8m, with negative impact on 2020 operating result, brought the total provision on Indian projects, at the end of the 2020 financial year, to Eur 7.1 million (50% of gross value), considering the cumulated previously booked provisions (EUR 4.4m or 30% of gross value). A detailed status of the Indian hydropower projects is reported under section 4.

B. Activities overview

In India, the hydroelectric concessions obtained in 2007 in the State of Arunachal Pradesh could not make much progress, due to both the Covid-19 pandemic and several administrative and regulatory impediments. 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 now focuses 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).

The above mentioned steps essentially 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.

As described under section 3.1.A above, during 2020 the land acquisition conducted by the State Government was halted due to a stoppage of the land survey and marking of boundaries as several land owners physically prevented the District administration to enter some parts of the land, claiming about land disputes and financial compensations. The discussions initiated between the state government and the concerned owners in February 2020 were suspended due to the Covid-19 outbreak, as these meeting can happen only physically. After being granted a time extension, the procedure could restart only in February 2021 (See section 4).

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 the amendment of the concession agreement, relate to the development timeframe, but also to the amendment of the allocated capacities (still 380MW in the current concession agreement) and other important terms, have not progressed since 2018.

This has led to the impossibility to renew the TECs of the Heo and Tato-1 (426 MW) tandem, as such renewal required either a concession agreement up to date with the 426 MW capacity approved by CEA, or a non-objection certificate (NOC) from the State Government. TECs of Heo and Tato-1 HEP, granted in 2015 for 3 years and already extended a first time in 2018 for 2 years, were bearing validities until on 27th July 2020 and 28th October 2020 respectively. Applications for renewals of both TECs were submitted to CEA, which requested the Group to obtain from GoAP a (NOC) acknowledging that the GoAP has no objection to the renewal of the projects TECs for the current capacities of 240 MW and 186 MW. After several discussions the GoAP refused, on 1st October 2020, to issue a NOC unless the concession agreements were amended under conditions entailing significant financial costs, some of which the Group does not agree with.

After requesting a draft amendment to the GoAP in October 2020, without success, the Group finally sent its own proposed draft amendment in early March 2021. As of the date of this report, both TECs of Heo and Tato-1 HEP are technically not valid anymore, and their renewal is depending on the execution of the revised concession agreement (in addition to the CEA renewal procedure).

The road infrastructures have kept progressing at a slow pace during 2020 as they did in previous years. 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 2020. All the major Indian power traders (PPA brokers) and distribution companies DISCOMS contacted either declined to take up the search for a PPA (Power Purchase Agreement) for Heo and Tato-1 or did not respond. The continued lack of appetite of the market for hydropower PPAs results from the commercial and financial Indian market conditions, which remained the same during 2020 and still do not fulfil the requirements for the long term and bankable sale of hydropower. The market remained constrained by the lack of appropriate regulatory framework for such bankable PPAs, the stressed financial position of electricity distribution companies (DISCOMS) and the indirect competition of cheap solar and wind power. Grid stability and the requirement for peak power have also become a growing issue for Run-of-the-River (ROR, hence with no storage) hydro projects such as Heo and Tato-1 HEPs.

Two years after the announcement of the new hydropower policy by the Government of India, a first part of the long awaited implementation regulation has finally be issued, imposing a Hydropower Purchase Obligation (HPO) on DISCOMS, setting a percentage of power that shall be procured by them form hydropower sources between 2021 and 2030. These percentages range from 0.18% to 2.82% and are remarkably lower than those of solar power, currently at 10.25% for 2021. The question is raised within the industry whether these provisions will be sufficient to trigger a general revival of the hydropower sector and enough demand for long term bankable PPAs for projects which are not yet under construction (see section 4.1).

The whole Indian power market and especially the hydropower sector are still characterized by a lot of uncertainties. The Groups' projects have been heavily delayed several years in a row. These delays and uncertainties have been reflected in an additional provision of Eur 2.8 million (20% of gross value) has been decided for first semester 2020 on the intangible value of the Indian projects. This brought the total provision to Eur 7.1 million (50% of gross value), considering the cumulated provisions booked in previous years (EUR 4.4m or 30% of gross value).

The issues and factors to be considered have been detailed in chapter I.4.1 of this report.

In Brazil, the Rodeio Bonito Hydropower plant (15 MW) recorded a historically low production of 29 496 MWh in 2020, 40% below the 2019 generation (49 113 MWh in 2019) and close to the all-time record low of 2012 (24 793 MWh). However the turnover when converted in the Brazilian currency (BRL) was up thanks to the inflation and the MRE (Energy Reallocation Mechanism, definition and explanation in chapter I.4.2 of this report) system. But as a result of this very low electricity generation and the national low hydro generation in 2020, the plant had to compensate the system, which was in a negative position. This is why payments to the MRE were much higher, reaching EUR 0.7m in 2020 vs. EUR 0.2m in 2019. As a result the EBITDA of the plant (earnings before interests, taxes and amortization) amounted to BRL 8.1m against BRL 9.3m in 2019, down by 13%. When converted in euro, the EBITDA of the plant was significantly lower to EUR 1.4m vs 2.1m in 2019 (-51%) partly because of a lower EBITDA in local currency (-13%). Despite the inflation in electricity selling prices (+18%) the lower EBITDA in local currency is due to the very low precipitation and related MRE payment increase. But the fall in the EBITDA of the plant when converted in euro was above all due to a 34% depreciation of the average rate of the Brazilian currency vs Euro currency in 2020.

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 a diversified array of financial assets including: mostly corporate and government bonds in local and reserve currencies until late 2019, and since then in equity, gold, commodities, forex, direct lending and private equity investments.

2020 has been marked by the Covid-19 crisis, and the important market movements and volatility that it created. From the beginning of the year, considering amongst other things the collapse of the corporate bonds yields, the Group's treasury has been reallocated from such corporate bonds to equity, gold and commodities. The Group started the year with a portfolio invested at 60% in bonds, mostly high yield ones. This bond portfolio was reduced by approximately half in January and February 2020, as the rewards seemed not any more commensurate with the potential default risks. Since the March 2020 market crunch, the Group has gradually changed its asset allocation to include more exposure to equity and commodities (mostly oil and gold).

	Asset Value 31.12.2020 in mEUR	Weight	Asset Value 31.12.2019 in mEUR	Weight
Bonds	19.5	19%	65.6[2]	64%
Cash and cash equiv. (incl. Forex)	11.7	11%	27.2	26%
Gold and silver related stocks	23.7	23%	0.9	1%
Oil related stocks	21.6	21%	0	0%
Equity Long positons (EM, EU, USA and Japan)	44.3	42%	4.3	4%
Equity Short	3.8	4%	1.5	2%
BRL and INR MM Funds	3.2	3%	0	0%
Private Equity & Lending	0.6	1%	2.8	3%
Total in assets (A)	**128.4**	123%	**103.0**	100%
Bank overdraft (financial current liabilities)	**-23.9**	-23%	**0**	0%
Total in liabilities (L)	**-23.9**	-23%	**0**	0%
Total (A+L)	**104.5**	100%	**103.0**	100%

The equity portfolio, including gold, silver and oil related stocks, is deployed across a diversified array of 71 different issuers and ETFs. The Eur 19.5m gold position, which the Group considers to be equivalent to a separate currency, is held through 4 positions: a large position of EUR 15.5m of SPDR Gold Shares, which is an ETF backed by physical gold, and 3 smaller holdings in mining companies.

While reallocating its financial assets towards equity, the Group has invested in companies which were trading at historically low prices and could benefit from the improvement of the Covid-19 situation. The two sectors hence selected were banking and energy.

4 oil related stock positions are above EUR 3 million as at 31/12/2020: Royal Dutch Shell Plc, Total SA, Exxon Molbil Corp and and Chevron Corp. As to non-oil and non-gold equity, the Group's biggest positions are in the financial sector, with 5 positions above Eur 2.5 million each: Citigroup Plc, Wells Fargo & Co, Banco Bilbao Vizcaya Argentaria SA, Banco Santander and Capital One Financial Corp. All other non-oil and non-gold/silver

[2] Including EUR 8.2 million T-Bills with less than 3 months maturity

positions are below Eur 2 million, and diversified in various sectors such as notably automotive and heavy industries.

Geographically the Group's equity investment is mostly exposed to U.S issuers, Europeans and Japanese issuers. The newly invested equity performed well during the year. The banking and oil related investment have performed well. In the range of 10 to 20%.

The Gold and Silver investment are viewed as an insurance against potential future inflation. This investment is viewed as if the Group had invested in an additional currency. As of the end of the year, this investment is approximately even.

The remaining bonds portfolio is mainly exposed to issuers in the, BB+, BB, CCC+, CCC and Non Rated categories (as defined by Standard & Poor's). Two bonds are perpetual whereas the rest of the bond portfolio has a maturity of less than 6 years. At year end the lines of the Group are with the following issuers:

a) EUR 2.0 or above m of exposure: UBS AG (Switzerland) and the republic of Argentina.

b) above EUR 4.0 m of exposure : CMA CGM (France) and its subsidiary NEPTUNE ORIENT LINES LTD (Singapore) , NORDDEUTSCHE LANDESBANK and 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. But the negative performance on these Argentina bonds was more than compensated by the excellent performance of the other High Yield (HY) bonds held by the Group. Overall the bond portfolio performance has been markedly better than the one of the market The Group does not expect to keep most of these bonds in the long term. Because of the current extremely low interest rates and simulative financial conditions enacted by the central banks of Japan, the USA and Europe, the yields and spreads on all types of bonds are extremely low. Unless there is a dramatic change in financial conditions it is unlikely that the Group will invest significantly in the medium in corporate bonds. And the current portfolio will be gradually sold.

As of December 2020, the Group private investments have been reduced from EUR 2.8m to EUR 0.6m, including now only private equity. This decrease accounts for a partial refund of a direct loan granted in 2016 to a third party in order to finance the acquisition of a chemical tanker. Such partial refund corresponded to the book value of the loan, net of the impairments accounted for in the previous years. The balance of the loan principal and various recoverable expenses related to the recovery of the loan amount to EUR 3m (excluding interests) and is fully impaired. The EUR 0.6m are mostly investments in the shipping sector (vessels) made between 2016 and 2019.

The Group has reduced significantly its financial exposure to the USD and increased its exposure to the Euro and the Japanese Yen. As of 31/12/2020 the Group financial assets were exposed notably to the US Dollars (35% against 67% in2019), the Japanese Yen (25% against 2% in 2019) and the Euro (22% against 9% in 2019). It is to be noted that the Gold and Silver positions are priced in USD and as such are included in the latter USD exposure.

The Group has also EUR 3.2 m of investments in BRL and INR MM funds on which it has suffered losses in 2020 due to COVID-19 crisis. A 50% fair value loss has been booked in 2020 on its INR MM funds with a gross value of EUR 0.5 m. A BRL 0.2 m has also been booked in 2020 on its BRL MM funds.

Contrary to the previous years, the Group has fully invested its cash and has used some leverage. The net cash position of the group as of 31/12/20 is EUR -12.2 m (cash and cash equivalents of EUR 11.7m and a bank overdraft of EUR 23.9 m secured on the listed financial assets of the Group). The Group had a net long cash position of EUR 27.2m as of 31/12/19.

During the year Velcan Holdings continued to execute buyback programs in order to provide liquidity to shareholders wishing to sell their shares. The shares are bought back in view of their cancellation or to cover for new grants of free shares. A total of 492,348 shares were bought back in 2020, for a total price of Eur 3,131,696. 275,000 shares were cancelled in April 2020 and, as of 31st December 2020, Velcan Holdings held 314,023 own shares representing 5.66% of its share capital.

2.1 Unaudited and condensed financial statements

A. Income Statement

Turnover amounted to EUR 2.5m (against EUR 2.8m in 2018, a 12% decrease), mainly from electricity sales in Brazil. The turnover in local currency increased by 18% with the inflation on electricity sale prices. The depreciation of the Brazilian currency vs the Euro currency was responsible for a 34% decrease of the turnover.

The current operating result amounted to EUR -5.6m (against -4.3m in 2019):

- Payments by Velcan for the MRE (Energy Reallocation Mechanism) were EUR 0.7m in 2020 vs. EUR 0.2m in 2019.
- Depreciation and amortization of tangible and intangible assets of Rodeio Bonito plant amounted to EUR 0.5m (EUR 0.7m in 2019), while depreciation on intangible projects under development was EUR 2.8 vs an amount of EUR 2.2 in 2019, due to the provision passed on Indian projects.
- Staff expenses amounted to EUR 2.7m in 2020 vs EUR 2.6m in 2019. The Group employed on average 20 permanent employees in 2020.

External expenses are totaling EUR 1.4m in 2020 vs EUR 1.5m in 2019 and include audit fees as detailed below as well as:

- EUR 0.4m of expenses related to Rodeio Bonito operation
- EUR 0.1m of rental expenses
- EUR 0.7m of investment management, legal, accounting, consultancy and bank fees
- EUR 0.1m of insurance premiums
- EUR 0.1m of other various expenses: travel, entertainment, maintenance and other expenses

In thousands of euros	31.12.2020	31.12.2019
Statutory auditor fees (BDO Luxembourg)	10	10
Consolidated audit fess (BDO Luxembourg)	-	-
Other Annual accounts auditor fees (BDO)	15	15
Total	**25**	**25**

Net Financial Gain for the group amounted to EUR 7.7m in 2020 mostly because of the reallocation strategy of the Group from bonds to equity and commodities markets and despite the USD depreciation (-9% compared to end of 2019) and its impact on the Group's cash and financial assets position. The impact of this depreciation has been managed by the currency reallocation strategy of the Group avoiding bigger potential forex losses (see breakdown per currency in chapter I.7.4.). This gain of 7.7m compares to EUR 8.1m in 2019.

In 2020, other operating income (EUR 0.2m) consisted mainly of earn out gains on Brazilian assets related to Brazilian assets divested in previous years. This figure was NIL in 2019 as no divestment on projects was made.

Income tax expense amounted to EUR -0.2m in 2020 vs EUR -0.2m in 2019.

The net result, Group share, was EUR 2.1m in 2020 FY compared to EUR 3.6m in 2019. The Group's EBITDA reached EUR -2.0m compared to EUR -1.4m in 2019.

The strong depreciation of BRL (-41%) and INR (Indian Currency -12%) rates when compared to Euro, at 2020 closing date, has heavily and negatively impacted the other comprehensive income, as the Group's main tangible and intangible investments have been done in local currency (EUR -4.5m in 2020 against EUR -0.1m in 2019). The total comprehensive income amounts to a loss of EUR -2.4m in 2020 against a gain of EUR 3.5m in 2019.

B. Balance sheet

Assets:

Net intangible assets stands at 8.3m in 2020 and are down by EUR 3.7m versus 2019, mostly because of the provision of EUR -2.8m of Indian assets, the depreciation of the Indian currency (EUR -0.9m) and the Brazilian currency (EUR -0.5m) and despite the addition of EUR 0.7m of capitalized costs on Indian projects.

Net tangible assets stands at 5.3m in 2020 and decreased by EUR 2.7m between 2019 and 2020, mainly because of depreciation of the Rodeio Bonito plant (EUR -0.5m) and the depreciation of the Brazilian currency (EUR -2.3m).

Cash, cash equivalent assets and financial assets (net of Current financial liabilities) have increased from EUR 103m in 2019 to EUR 105m in 2020 (+1%) mainly thanks to the good performance of the Group's financial portfolio and despite the share buyback programs. Financial assets consist mainly in listed equity bonds and commodities related stocks (see chart page 10).

Finally total assets increased by 15.3% during 2020 FY (up by EUR 18.9 m), mostly because of the bank overdraft facility described in below as part of the "liabilities" and the related asset purchases.

At 31st December 2020, the Group (Velcan Holdings and its subsidiaries) holds 314,023 own shares (2019: 146,810). At year end closing price of EUR 6.41 those own shares have a market value of EUR 2.0m.

Liabilities:

Non-current provisions and other non-current liabilities amount to EUR 0.7m and EUR 1.0m at 31 December 2020 respectively 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 as well as accumulated interests and judicial expenses. [3]

Trade and other payables amount to EUR 0.9 m vs EUR 0.5m in 2019 (due to EUR 0.3 m of payable related to MRE payments in Brazil due in early 2021 but related to 2020 generation).

Current financial liabilities of EUR 23.9 m in 2020 (vs NIL in 2019) are related to overdraft facilities granted by a brokerage firm to the Group to leverage its listed investments trading activities. Under this facility, securities held in the trading account are used as a security to borrow money. This facility has enabled the Group to leverage its investments and maximize its profits. But it is to be noted that leverage works both ways and could also cause higher losses in case of fall in market prices.

Own shares, booked directly against the equity of the Group at their historical cost, reduce the net shareholder's equity of the Group by EUR -2.1m at 31st December 2020 versus EUR -1.2m at 31st December 2019 following the share buyback programs (EUR -3.1m), the capital reductions (EUR +1.9m) and the use of shares (EUR +0.4m) to cover share based payments (Part III, notes 4, 5 and 7).

As at 31st December 2020, unrealized losses on conversion reserves, booked directly against the equity amounted to EUR -14.2m versus an unrealized loss of EUR -9.6m at 31st December 2019, as the BRL and INR currencies heavily depreciated VS EUR currency in 2020.

With a consolidated equity of EUR 115.8m (-EUR 5.3m compared to 2019), the Group still has no significant net debt as of 31st December 2020, though it should be noted it uses leverage (cf. the leverage facility mentioned earlier).

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 2021:

- Pursuing the development of the Indian hydropower projects.

- On the short term, executing the required amendment to the concession agreements of the Indian hydropower projects, in order to secure the renewal of the TECs and the renewal of Forest clearances. Continue the active management of its diversified 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.

[3] 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.

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 2020

Project Name	Country	State	Size (MW)	Ownership (%)	Remaining years of concession
PCH Rodeio Bonito	Brazil	Santa Catarina	15	100%	14
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, although such increase has not yet been ratified by the licensing State Government in the concession agreement.

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 (CEA) 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.[4] It will start along with the beginning of discussions with power purchasers and EPC contractors, when the projects will move towards financial closure. In March 2020, the Group has started to discuss tender level design with Indian and international engineering companies. The COVID 19 pandemic, and resulting lockdowns and meetings restrictions have slowed down the discussions with such consultants. The Group finally obtained 2 proposals from major consultancy & engineering firms in December 2020. Given the delays and impediments encountered by other Projects activities, it was decided to put on hold the preparation of the tender level design and its associated costs

➢ TEC renewal and amendment of the concession agreements

TECs of Heo and Tato-1 HEP, granted in 2015 for 3 years and already extended a first time in 2018 for 2 years, were bearing validities until on 27th July 2020 and 28th October 2020 respectively. Applications for renewals of both TECs were submitted to CEA on 24th April 2020 and 20th August 2020 respectively. CEA requested the Group to obtain from GoAP a Non Objection Certificate (NOC) acting that the GoAP has no objection to the renewal of the projects TECs for the current capacities of 240 MW and 186 MW respectively (as the current concession agreement is for 210MW and 170MW respectively). GoAP issued on 6th July 2020 a NOC for the Heo HEP but subject to a condition that the Group executes a new or revised concession agreement under certain financial terms within 30 days. Such amendment is a long a pending issue, and entails several complex

[4] for Tato-1 power house, the tender level topographical survey is not entirely complete at the power house site as the bridge allowing the access to this part of the site was destroyed in 2017 and has not yet been reconstructed.

topics and significant financial costs, some of which the Group does not agree with (see next paragraph). In light of the COVID-19 situation in India and the complexity and sensitivity of the subject, the Group has, on 19th July 2020, requested the GoAP to issue a revised NOC including an extended 6 months' timeframe for executing a revised concession agreement, as that would have allowed the TEC renewal process to start at CEA level and provide for enough time to complete the amendment process. On 1st October 2020, the GoAP refused to do so and requested again the litigious payments, without sending a draft revised concession agreement. The Group requested a draft MoA on 14th October 2020. As no draft was received for several months, the Group decided to send in early March 2021 to the GoAP a proposal for a settlement of litigious administrative fees over separate installments, at the time of the amendment and at the time of the financial close. The Group also sent its own draft amendment of the concession agreement along with such proposal. As of the date of this report the Group is awaiting for the response from the GoAP. . As of the date of sending the aforementioned proposal, major disagreements remained as whether some of these fees are payable or not, as the Group considers that the GoAP is liable for several breaches of its obligations under the concession agreement, such as the failure to proceed timely with the land acquisition, the failure to guarantee access to the site and to maintain law and order at project site. The Group also disagrees with the timing initially requested by GoAP for payment of some of these fees and their computation modalities. The proposed projects implementation timeframe is also a major but not yet known parameter of the concession agreement.

As of date, both TECs of Heo and Tato-1 HEP are technically not valid anymore, and their renewal is depending on the execution of the amendment of the concession agreement (in addition to the CEA renewal procedure itself). In the current situation, CEA has therefore not started the TEC renewal process, pending the issuance of a workable or unconditional NoC that the GoAP refuses to issue for now.

- Amendment of the Concession Agreement

Following the TEC, which has frozen the installed capacity of the projects to 426 MW, the Group engaged the process for amending the concession agreement in order to amend such installed capacity. The negotiations with the Government of Arunachal Pradesh do not cover only the issue of the litigious administrative fees mentioned above, but also several other matters such as a new implementation timeframe for the projects, the conditions of a potential cancellation by the GoAP, 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 4 years.The latest exchanges with the GoAP are those mentioned above, triggered by the requirement to renew the TECs.

This issue has already slowed down and delayed the TEC renewal process, given the requirement of a Non Objection Certificate from the GoAP (see above). 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 agreement to be in place. Keeping in view the issues mentioned above, and the Group's past experience with regard to such negotiations, the Group is not in a position to foresee when an acceptable revised concession agreement will be executed.

- 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, the District Commissioner issued preliminary reports starting to identify clan wise collective ownership of the different land parcel. These reports were incomplete as they did not yet list individual ownerships and sometimes listed several clans on single parcels without any breakup between the concerned clans. Revised lists issued in January 2019 recorded approximately 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 were held on 11th and 12th March 2019. All the 9 village councils voted their consent to the acquisition of land for the development of the projects. 85% and 83% of the Land owners individually gave 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 then preparation of 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 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 decided 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, was 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 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 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, without outcome.

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 million[5], 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 all the above mentioned benefits, for discussion during another meeting which was scheduled on 24th March 2020 with the Government committee. Due to the Covid-19 outbreak and the related confinement measures adopted in India, the meetings between Government committee and land owners, which are all physical meetings, were suspended until further notice.

In the state of Arunachal Pradesh many Covid-19 related lockdown and restrictions have been imposed in 2020 and many government services functioned only partially. The Chief Minister himself was tested positive on 16th September 2020 and some Government departments were infected throughout 2020.

According to applicable regulations, the Section 11 Notification mentioned earlier was valid only for a period of 12 months, during which the Government was bound to complete the steps under the section 19. Such steps include 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.

Given its 12 months validity, the Section 11 notification was to expire by 25th September 2020. The Group requested the GoAP to extend its validity for another 12 months, in order for the Government to be able to complete section 19 crucial activities mentioned above. Accordingly, the Government has notified in September 2020 an extension of 12 months, as per which the activities of the section 19 will have to be completed by 25th September 2021.

The stoppage of the Govt. survey mentioned above 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 favorable 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 (based on a preliminary list established by the GoAp), had formally given their consent to the land acquisition and thereby to move forward with the procedure. The Section 19 next steps include the onsite land survey, the marking of land boundaries on the ground in view of the establishment of the final list of land owners, the hearing of individual objections, the ruling on such objections, the detailed census of affected families, the preparation and publication of

[5] 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.

Rehabilitation & Resettlement schemes to the benefit of affected families and public hearings on such proposed schemes in affected villages.

The procedure could resume in February 2021. In a second attempt to conduct the activities required by the Section 19, the GoAP issued a second notification for conducting the "Preliminary Survey of Land" from 15th February to 22nd March 2021, for land falling under the Tato-1 and Heo HEPs.

All the surveys and boundary marking were completed by the District Administration as per the aforementioned schedule, as there was no stoppage of the work. As of the date of this report, the Group has not received the official survey report and list of land owners from the District Administration. However the Group's team attended each survey and understands that several areas such as notably some the Heo HEP barrage areas and power house areas have been registered by the district administration as being under ownership dispute. As per the estimate of the Group, these areas represent approximately 32% of the land requirement of Heo HEP and 4% of the land requirement of Tato-1 HEP, subject to the report to be issued by the GoAP. These figures are in line with the previous list established by the GoAP in January 2019. The Group does not know yet if and how the GoAP will settle these disputes and find a solution that will allow permanent site access and the Projects' implementation, and is looking forward to receiving the final report from the Government.

The completion of section 19 activities is essential, especially the establishment of the final land owners list as it is the basis of the financial allocations under the future rehabilitation plan and land compensations. After the completion of the Section 19, the State Government will have to carry on another set of activities and procedural steps such as the computation of land values, enquiries on claims made by owners, issuance of individual financial awards (Sections 23 to 30), rehabilitation plan implementation, payment procedures and taking physical possession of the Land (Section 38).

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 development, 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 at Pangin, the work has been awarded and has started for the stretch of 28 Km up to Aalo. From Aalo to the project site (under BRO), stretches totaling 45 km have been completed up to Kaying. From Kaying to Tato a stretch of 20 km has been started out the total of 87 Km. This entire 87 km was expected to be ready between 2020 and 2022, as per a status report from the Ministry of Defense dated 2017. However 67 Km are 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 Border Roads Organization (BRO, Ministry of Defense) 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. From Tato to Heo Barrage site, another stretch of 19 km (as part of the 48km Tato to Mechucka road) requires upgrade and widening, for which a DPR has been prepared and approved by Ministry of Defense, and actual work packages are being allocated to contractors. .

- 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. RMoEF in turn cleared the file at its, level and forwarded the information requested by MoEF,

The Forest Advisory Committee was held in New Delhi in June 2020 and the MOEF finally approved both the pending aspects of compensatory afforestation (see first para above under this section) and the layout changes mentioned above (quarry sites and access roads). Upon this decision the Forest aspects of the projects are ready to move to the Stage 2 Forest Clearance, which will be issued after the local Government completes the land acquisition and upon receiving payment from the Group for various taxes under the Forest regulations (estimated at a total Eur 1.95 million for both projects).

The Stage-1 Forests clearances of Heo and Tato-1 HEP were granted by MOEF on 27th October 2015 with a validity period of 5 years, period within which the project developer seeks to obtain the Stage-2 clearance, take possession of the forest land and start the construction works. Given the delays encountered notably in the land acquisition procedure, which fall beyond the control of the Group, the Group had to apply in August 2020, via the State Government, for a time extension of 3 years. The State Government has forwarded to the MOEF the Group's application for extension on 22nd September 2020, and expressed its support to such application. On 19th November 2020, the MOEF requested the State Government to furnish a progress and compliance report of forest activities over the past 5 years. The State Government referred to an earlier compliance report already provided and provided additional inputs on 18th December 2020. However on 5th February 2021 the MOEF requested more justifications on the land acquisition delays and the State Government comments on the justifications given by the Group for requesting the 2 years extension.

These exchanges between the MOEF and the State Govt. are going on and no decision from MOEF has been received as of the date of this report. In case the application is rejected, the Group will have to apply for a fresh forest license, involving a lengthy (several years) on-site and administrative process that would potentially delay further the implementation of the projects, depending on the level of progress of other project activities.

- Bankable Power Purchase Agreement(s)

During 2020, as in 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 often reach Rs 9 to 11 crores[6] (Eur 1.1 to 1.3 m) per MW at planning stage, without considering the likely construction cost overruns. This needs to be compared with usually Rs 5 to 8 crores (Eur 0.6 to 0.9 m) per MW for thermal power and around Rs 4.5 crore (Eur 0.55 m) per MW for solar energy. Hydropower projects take many years to be completed, longer than thermal projects, and even much

[6] As per cost estimates approved by CEA in 2018 and 2019

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 cost overruns historically faced by hydropower projects in India.

Solar and wind tariff have fallen dramatically over the past years. Tariffs have remained in the same and very low range during 2020 with some auctions touching as low as Rs 2.02 per unit in late 2020 for solar power[7] (tariff decreasing further as compared 2019 and early 2020) and Rs 2.99 for wind projects[8], whereas most hydro power projects are often significantly more expensive (ranging between Rs 5.29 and Rs 6.24 per unit for the latest projects approved by CEA, except one approved at 3.43)[9], although their lifespans makes them cheaper on the long term. Heo and Tato-1 HEPs tandem have a weighted average levellized tariff of Rs 4.84[10] 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 concession 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 large Renewable Power Purchase Obligation[11] 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. The spot market rates have remained extremely low during the past 3 years.[12]

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[7] Solar Energy Corporation of India (SECI) auctioned 1.97 GW of solar projects in November 2020 through a reverse auction, the 7 winners placed bids between Rs 2.00 and Rs 2.01. In December 2020 wind-Solar hybrid capacity of 1200MW was awarded at a tariff of Rs. 2.41 per unit.

[8] SECI reverse auction for blended 970 MW wind on 14th August 2020. 2 winners with bids at either Rs 2.99 or Rs 3.

[9] These are rates derived from the construction cost approved by CEA, and subject to the actual construction costs / costs overrun.

[10] 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.

[11] This RPO forces DISCOMS to purchase 19% of their electricity from renewable sources for 2020, which include solar and wind power but exclude hydropower above 25 MW. This figure will increase to 21% in 2021-22 based on a 2018 order from the Ministry of Power, setting trajectories of RPOs. RPOs are computed on the total consumption of electricity, and will include a mandatory procurement from hydro sources from 2022 (see infra).

[12] According to data from the IEX, the 2020 low of minimum spot electricity price was recorded at 60 paise for supply on Wednesday (March 25). In 2020 weighted average price of the spot on the IEX ranged between Rs 2.41 and Rs 3.01 (in 2019 it ranged between Rs 2.94 and Rs 3.63).

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).
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 are to be notified by Ministry of Power based on the projected capacity addition plans in hydropower sector. Necessary amendments are to 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.

The application decree, which is absolutely necessary to implement the new principles, was not issued as of 31/12/2020 and therefore the market remained the same during 2020, even worsening if one considers the deterioration of the DISCOMS balance sheets.

During the last 24 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.

Thereafter the Group hired a major consultancy company in order to solicit directly and formally the interest of more potential buyers: 8 DISCOMS and 2 power traders were selected by the advisor as being potentially interested. These 10 potential buyers were sent official enquiries along with project information in May 2020, requesting for expressions of interest. Unfortunately none of the addressees have replied officially or requested further information officially. 9 have either declared not being interested or did not respond at all. 1 of the addressee mentioned to check again in January or February 2021. These contacts confirmed the current lack of demand for long term hydropower.

On 29th January 2021, two years after the announcement of the new hydropower policy by the Government of India, a first part of the long awaited implementation regulation has finally been issued, imposing a Hydropower Purchase Obligation (HPO) on DISCOMS, by setting a percentage of power that shall be procured from hydropower plants to be commissioned between 2020 and 2030, based on a stated objective to add 30 000 MW of hydropower capacity during this period.

These percentages range from 0.18% in 2021 to 2.82% in 2030 and are remarkably lower than those of solar and wind power, currently at 10.25% for each source (totaling 20.5%). The 3 other main features are i) a cap of 70% of the capacity of a given plant is eligible to the HPO ii) the duration of the procurement eligible to the HPO is of a maximum 12 years after commissioning and iii) the future set up of Hydro Energy Certificates (HEC) that will facilitate the fulfillment of the HPO by the DISCOMs[13].

The Government of India did not publish so far the list of projects considered for the 30,000 MW capacity addition objective that is the basis for defining the HPO trajectory. However it is the Group's understanding and expectation that any hydropower above 25MW to be commissioned by 2030 will be eligible, for 70% of its capacity and during the first 12 years of operation, to fulfill the DISCOMs HPO.

Whether Heo and Tato-1 HEPs will benefit from the HPO will depend on their commissioning date (COD), versus the other hydropower plants' CODs that may be commissioned before them and may exhaust the HPO quantum.

It is the understanding of the Group that, based on an estimated total generation of 2312 BU in India in 2030[14] and an average hydropower plant load factor of 40%, the 2.82% HPO would entail a procurement from 18 600 MW hydropower capacity added between 2019 and 2030, such 18 600 MW representing maximum 70% of the installed capacity of the concerned plants. Therefore a total installed capacity of approximately 26,500MW hydropower to be commissioned between 2019 and 2030 may benefit from the HPO based on this estimate. That is only an estimate which may vary depending on actual load factors and 2030 consumption requirements, but it is not inconsistent with the stated objective to add 30,000 MW by 2030, although it is difficult at this stage to estimate precisely the capacity addition that will really benefit from the HPO by 2030.

As per a list established in January 2020 by CEA, for the purpose of assessing the HPO trajectory, 39 projects totaling 17 848 MW[15], including Heo and Tato-1, under Greenfield development were considered with an estimated commissioning date by 2030. As per the Group's understanding, all of these projects may indeed be commissioned by 2030 subject to their own individual constraints and requirements (land acquisition, permits validity, road and transmission infrastructure availability, construction delays, etc.).

[13] The first HECs will be issued at Rs 5.50 per unit in 2021, with an escalation of 5% per year. The mechanism is to be developed and set up by the Central Electricity Regulatory Commission (CERC). The Group understands that a DISCOM may substitute the purchase of hydropower from a plant by the purchase of the HECs.

[14] As per CEA "Report on Optimal Generation Capacity Mix for 2029-30" and excluding hydropower as mandated by the HPO regulation.

[15] The list includes 18 732 MW, but some of them have started construction since then.

As per another CEA list dated January 2021, there are currently 9 657 MW of hydropower under construction (plants above >25MW), all with a commissioning schedule between 2021 and 2026[16]. This entire capacity is being installed by state owned companies, except for 5 HEPs totaling 716 MW[17]. All these projects are eligible to the HPO and are likely, up to 70% of their capacity, to "consume" partly the capacity eligible to HPO as they will be commissioned before Greenfield projects like Heo and Tato-1 HEPs, although that depends on whether or not they already have firm offtakes commitments for their power (sale of power arrangements by state owned companies may not be used a reference for private projects being funded under a project finance structure).

The Group's projects are eligible to the HPO and are amongst the projects under development that are in a position to be commissioned before 2030, subject to other projects requirements being fulfilled and impediments being lifted as described in this report. This is a positive development, although the Group is disappointed by the limited scale of the HPO (low percentages) and the impact of such HPO on the hydropower long term demand remains to be seen. The main concern is that this new regulation does not address the issue of the lack of long term PPA regulatory framework and on contrary offers a possibility to DISCOMs to comply by buying HECs on the spot or short term markets.

This HPO regulation is very recent and the Group cannot at this stage anticipate what will be the impact on the hydroelectricity market and its projects The Group will monitor closely the evolution of the market.

Regarding the overall demand – supply scenario, the massive capacity addition of the last few years has significantly improved the power deficit situation in India. Some states have even had contracted capacities in excess of their demand recently, due to lower than anticipated demand and robust / on-schedule generation capacity additions. In 2019-20, both energy supply and peak deficits were marginal (less than 1% except for the North-East region) and due to constraints in distribution network, commercial issues, financial issues and forced outages (rather than inadequacy of capacity availability)[18]. However a steady demand growth is expected in the next ten years, which, coupled with absence of investments in coal based capacities, should absorb capacities in most states. . The demand could even become significantly larger (> 20 GW) if new MOEF norms for coal based power plants are enforced to meet emissions standard by withdrawal of existing coal based capacity[19], 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, and their revenues kept plummeting notably with the effect of COVID-19 lockdown measures. During 2020, the total overdue from the DISCOMS kept swelling, from Rs 99,980 Crores (Eur 11.4 billion) in January 2020 to Rs 127,599 crores (Eur 14.6 billion) in December 2020[20].

[16] 20 projects, out of 25, have started the construction before 2015

[17] Out of these 5 private projects, 4 of them are schedule for a commissioning in 2021 or 2022, which means they have started the construction work and complete their financial closure long back

[18] Load Generation Balance Report 2021 published by CEA

[19] The 2018 National Electricity Policy estimates that 48 288 MW of thermal capacity should be disabled between 2022 and 2027.

[20] Source: PRAAPTI portal, Power Finance Corporation Consulting Limited, data encompassing 65 DISCOMs and 88 generation companies as of December 2020.

The total overdue to generating and transmission companies has therefore increase by 27%, against a 32% increase over 2019,, illustrating the worsening financial troubles of the DISCOMS. Such context explains partially why DISCOMS are mainly inclined to purchase short term cheap power. In addition to earlier support schemes and liquidity packages, the Indian Union Budget 2021-22 announced on 1st February 2021 a new proposed Rs.300,005 Crore (EUR 34.4 billion) scheme, to be spread over five years, to assist DISCOMS to create infrastructure, including prepaid smart metering, feeder separation and up-gradation of systems. It would be tied to improvements of the DISCOMS financial situation. The proposed scheme, which is not yet voted, would be associated to a new framework opening competition between the DISCOMS.[21]

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[22] 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[23].

Given India's objective to increase massively it's solar and wind its installed capacity, which should result in solar and wind representing more than half of its total capacity in 2030, the requirements for storage and predictable energy seems bound to become more and more strategic[24].

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 built in India in the past decades, 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

[21] It would to give consumers the right to choose several DISCOMS, which the Government expects will help to enhance efficiency in the power distribution sector, induce fair competition and address the monopoly business of DISCOMS.

[22] More than 75% of planned capacity additions till 2027 will be from Renewable Energy sources. CEA assessed recently ints "report on Optimal Generation capacity mix for 2029-30" that more than half of the installed capacity is likely to be solar and wind alone. 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)

[23] See SECI call for tender for 1.2 GW, won by Greenko and Renew Power in August 2019. 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.

[24] CEA assessed recently in its Report on Optimal Generation capacity mix for 2029-30 that India is likely to have 817,254MW total installed capacity out of which renewable energy sources are likely to reach about 420 GW, which would represent more than 50% of total installed capacity.

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 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 still 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.

The Group will assess whether the results of the Heo – Tato-1 recent land survey, if concluded positively by a settlement of the disputes, may help to unlock the situation at the Pauk land area.

C. Overall perspectives in India

The Projects faced additional delays and bottlenecks during 2020 so far, especially as to the stoppage of the land acquisition procedure, the impossibility to renew the TECs and the absence of progress towards execution of a revised concession agreement. The Covid-19 outbreak worsened the delays as many Government departments functioned only partially in 2020 and most of the land acquisition activities require physical meetings.

Due to the opposition to the government led site surveys by claimed owners, unsolved ownership disputes and the failure of the GoAP to guarantee the site access and Law and Order, the land acquisition procedure has been stopped again, and it could restart only in February 2021. The recent attempt in February 2021 to resume the land survey wasn't stopped by the local population and could be completed, but will still probably reports around 32% of the land of the Heo HEP under dispute. The deadline for completing the Section 19 has been postponed to the end of September 2021.

The pressing issue of the revised concession agreement, which is exclusively at the local government level, needs to be solved for the projects to renew or keep their necessary central government authorisations and licenses. As of today the TECs are technically expired, as their renewal is depending on the execution of the revised concession agreement (in addition to the CEA renewal procedure). Generally, a proper concession agreement with the updated capacity should be in place for the projects to be able to keep and use their central government licenses and to search for a PPA.

As in 2019 and previous years, the Indian commercial and financial market conditions have remained unfavourable to the sale of hydropower, for the reasons explained above. This was confirmed practically by the formal call for expressions of interest conducted by the Group during the first half of 2020, which showed no interest / demand at all from the market for long term hydropower electricity.

The long awaited publication of the implementation decree of the new hydropower policy dated 7th March 2019 finally occurred in January 2021 but was limited to the Hydro Purchase Obligation (HPO) to be imposed on distribution companies. It does not provide any measures yet to reduce the hydropower tariffs in the first years of the PPA, to facilitate the financing or to a provide a regulatory framework that would rule the sharing of the cost overrun risk between DISCOMS and generators, and facilitate the signing of the long term bankable PPAs.

The definition of the mandatory quantum of HPO is disappointing (2.82% in 2030) as compared to the solar power or wind ones (10.25% each in 2021),

However this is a recent development and the Group is not in a position, as of the date of this report, to assess whether the current HPO will be sufficient to reverse the current market scenario, and more specifically to create long term demand for projects which are not ready to start the construction, like Heo and Tato-1 HEPs. The Group will monitor and assess whether these new HPO rules will help creating an immediate demand for the generation from the R-o-R projects. The Group believes that a strong new complete framework in favor of hydropower remains unlikely in the short term, given the bad financial health of the DISCOMS, the budgetary burden attached to it and the overall economic situation in India.

If a general demand for hydropower is not created by a proper regulatory framework, Heo and Tato-1 may have to wait for Pauk HEP to come along with a storage solution, if such solution is proven feasible in terms of electricity price and regulatory framework. In such case The Group estimates that it will take 6 to 8 years to complete Pauk development (2 to 3 years of additional geological investigations[25] 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 at least with storage capacity, and that all other conditions and requirements depending on the central or local government are fulfilled (land acquisition, access roads and transmission lines).

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. Overall, Velcan Holdings believes that the Government of India is aware of the long term benefits of hydropower and the necessity to increase its

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

share in the energy generation mix of such a large market[26], like China and Brazil did for example. This awareness is illustrated by the policy released in March 2019, even though the implementation regulation so far appears insufficient and such awareness does not guarantee the Government will effectively be able to balance the electricity mix in favor of hydropower.

Depending on how the market situation evolves, Velcan Holdings will adjust to the extent possible the projects development strategy, timeframe and potential partnerships.

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 as well as DISCOM’s regulatory procurement framework. 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, the major hurdle at the moment being the land acquisition procedure and the negotiation of the revised concession agreement, as it practically stalls the TEC renewal procedure.

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 111 million to USD 144 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 of Eur 2.8 million (20% of gross value) has been decided in 2020 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 7.1 million (50% of gross value) as of 31/12/2020, considering the cumulated provision booked in previous years (EUR 4.4m or 30% of gross value).

4.2. Rodeio Bonito Plant (15 MW)

At the end of 2020, the Group owns and operates the 15 MW Rodeio Bonito plant.

The generation of 29,496 MWh during 2020 (against 49,496 MWh in 2019, -40%) was the second time historically low due to the rainfall in Rodeio Bonito catchment area being still well below the historical long term average and the overall historically low precipitation in Brazil in 2020. If precipitation levels in Brazil in 2019 were low as in 2018, 2020 was much worse.

This resulted in a much higher negative MRE impact amounting to BRL -4.1m in 2020 for Rodeio Bonito (compared to BRL -0.8m in 2019, when the precipitation levels were already low).

Translated in Euros, the consumed purchases (Mainly MRE[27]) impacted the annual operational result by EUR 0.7 m in 2020 against EUR 0.2 m in 2019.

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

[27] 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

The operation and maintenance of Rodeio Bonito are relatively satisfactory with a technical availability of 97.4% for 2020 (vs 99% in 2019).

The turnover has decreased by 12% (because of the depreciation of the currency by 34% in average rate) when expressed in Euro and despite the fact that it increased by 18% when expressed in BRL in 2020 (EUR 2.5m or BRL 14.8m) compared to 2019 (EUR 2.8m or BRL 12.6m) thanks to the inflation on electricity selling prices.

The EBITDA (earnings before interests, taxes and amortization) of the plant amounted to BRL 8.2m against BRL 9.3m in 2019. When converted in EUR, the EBITDA was down to EUR 1.4m vs 2.1m in 2019, mostly due to a 41% depreciation of the closing rate of the Brazilian Real vs Euro currency in 2020 The Group is not developing any other project in Brazil as of 31st December 2020.

5. Report on share buybacks

Reasons of purchases effected during 2020	Capital reduction by cancellation of purchased shares and future service of share ownership plans
Total number of shares purchased in 2020	492,348 shares
Nominal value of shares purchased in 2020	Eur 492,348 – Eur 1 nominal value per share
Percentage of capital bought back	8.87% based on the share capital as of 31/12/2020
Shares cancelled during 2020	278,500 shares have already been cancelled in April 2020
Shares sold	Nil
Total price paid towards share buybacks in 2020	Eur 3,131,696
Total own shares owned as of 31/12/2020	314,023 shares
Percentage of capital held as of 31/12/2020	5.66%

The purchases made in 2020 are part of 2 different programs, one started in December 2019 and ended on 12th March 2020 and one started on 13th March 2020 and still ongoing as of the date of this report. 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 (started in December and 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 was effected in April 2020 and resulted 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.

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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.

The other share buyback program initiated on 13th March 2020, is still ongoing as of the date of the report. It entails purchase of a maximum number of 300,000 shares, representing 5.40% of its current share capital, at a maximum purchase price per share of four euros and eighty five cents (EUR 4.85), excluding acquisition costs. This price was then amended in September 2020 to seven euros (EUR 7) in order to take into account price and liquidity levels of the market. At this stage the Company had already bought back 112,104 shares at an average weighted price of 4.85. At the end of the year the Company had bought 199 397 shares under this buyback programme. 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, and in view of coverage of employees share schemes. The shares bought back will be either cancelled or used towards the service of share ownership plans.
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 2020

No events subsequent to the 31st December 2020 are to be reported.

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)[28]. 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.

[28] Both TEC and Forest clearance are under renewal. The TECs are technically not valid at the time of this report for the reasons explained under section 4.1

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 ten years.
- Tato-1 HEP Environment Clearance issued on 10th November 2015 and valid for ten 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

Current issues related to the expiry of the TEC and Forest clearances are detailed under section 4.1.

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 EUR 370 to 480 million (depending on INR exchange rate 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[29] which mutualized the hydrological risk. However in case of important nationwide drought has seen in Brazil in 2017 and 2018 and 2020, 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.

[29] 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.

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, equity, derivatives, direct lending and private equity investments (see section 5.3). Such financial 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.

The Group's balance sheet net monetary exposure to currencies evolution in 2020 FY balance sheet compared to 2019 FY balance sheet is as follows:

Currency	2020	2019
Euros (EUR)	19%	9%
US Dollars (USD)	32%	67%
Brazilian Reals (BRL)	8%	10%
Indian Rupee (INR)	5%	8%
Singapore Dollar (SGD)	4%	3%
Japanese Yen (JPY)	22%	2%
British Pound (GBP)	3%	0%
Others	6%	1%

As of 31st December 2020, 32% of the cash and financial assets are denominated in USD and 22% of the cash and financial assets are denominated in JPY, 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 and Euro – JPY exchanges rates. The FOREX strategy has been more diversified than in previous years with Group's balance sheet net monetary exposure less sensitive to USD fluctuations.

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 EURO) 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 2020 no hedging has been taken on the Property risk nor on risk of conversion of past or future income. Some USD/EUR and USD/JPY forward forex operations have been concluded during the year with a fair value gain of EUR 0.7 m at 2020 year end.

- Interest rate risk

The Group's cash is mainly invested in listed equity funds, listed equity, and to a lesser extent to listed corporate and sovereign bonds. The Group is thus less exposed than before to an interest rate risk and the financial result is thus less sensitive to interest rate variation. The Group may lose money on its listed corporate and sovereign and bonds 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 interest-rate sensitive financial instruments as of 31 December 2020 amounts to EUR 19.5 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 corporate and government bonds in local and reserve currencies, equity, direct lending and private equity investments (please refer to section 3.1, financial assets). As to its bond portfolio as on 31/12/2020, the group is mainly exposed to issuers in the BB+, BB, CCC+,CCC and Non Rated categories 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 the 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. The listed equity exposure of the Group amounts to EUR 93.4m, the MM Funds exposure amounts to EUR 3.2m and the listed bond exposure amounts to EUR 19.5m as of 31/12/2020. Although it is very much diversified, the loss could be significant in case of an economic or political crisis and a sudden fall of prices in stock exchanges for those instruments.

- 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

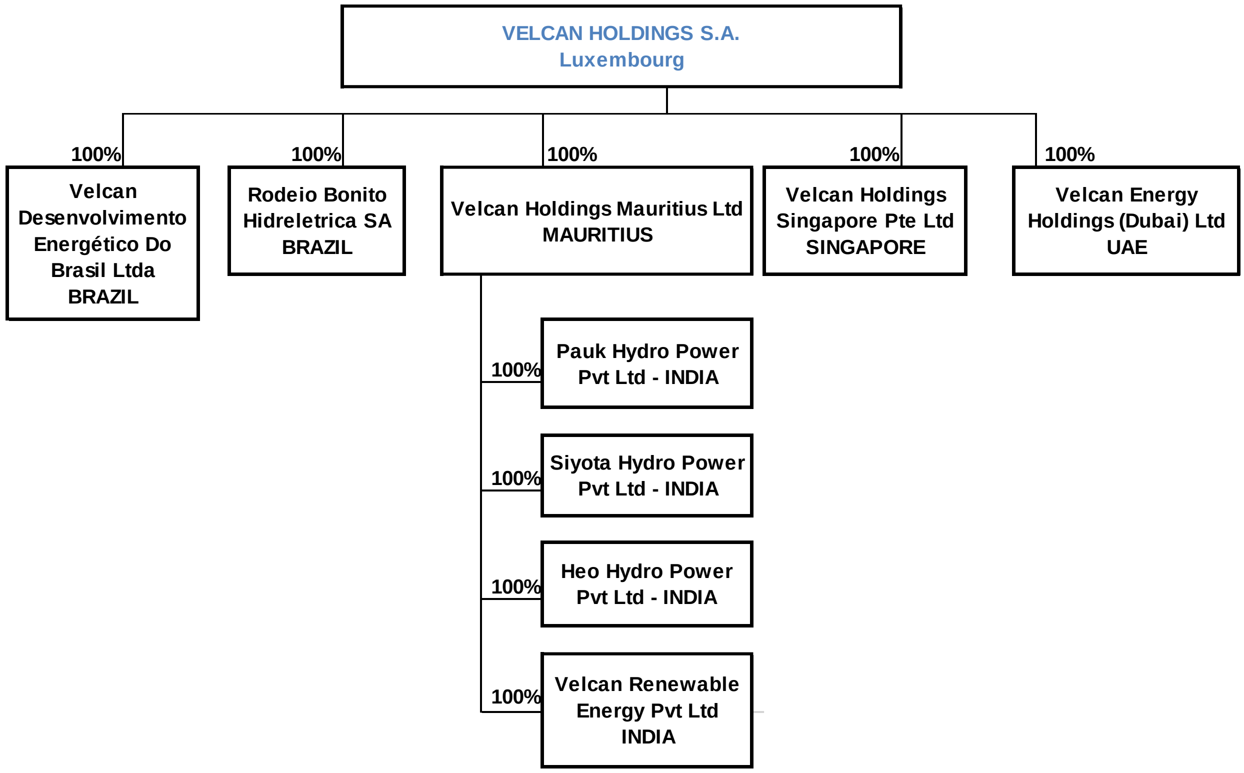
The Group focuses on generation of electricity from hydroelectricity, which is a **conventional** and **renewable** source of energy and which prevents the release of greenhouse gases into the atmosphere as opposed to electricity generation from fossil fuels. As a result of this "avoidance effect", the 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 510 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. These activities generally involve various financial contributions to local people, such as a local cultural events, festivals and donations for medical purpose. DNo CSR activites were conducted in 2020 given the absence of site activity due to the COVID-19 pandemic.

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 2020, 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	31.12.2020	31.12.2019
Non current assets		
Intangible assets	8,256	11,923
Tangible assets	5,315	8,023
Non current financial assets	805	3,000
Total non-current assets	**14,375**	**22,946**
Current assets		
Current financial assets	115,946	72,854
Trade and other receivables	256	265
Income tax receivables	10	10
Other current assets	175	250
Cash and cash equivalents	11,673	27,168
Total current assets	**128,060**	**100,547**
Total assets	**142,435**	**123,493**

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

(in thousands of Euros)

Liabilities	31.12.2020	31.12.2019
Equity		
Issued capital	5,552	5,831
Additional paid in capital	120,607	122,214
Other reserves and conversion reserves	(12,460)	(10,553)
Net income for the year	2,119	3,596
Total Equity	**115,819**	**121,088**
Non current liabilities		
Non current provisions	713	799
Other non current liabilities	950	1,040
Total non-current liabilities	**1,662**	**1,839**
Current liabilities		
Current financial liabilities	23,918	-
Trade and other payables	930	492
Income tax payables	98	67
Other current liabilities	8	7
Total Current Liabilities	**24,954**	**566**
Total Liabilities	**142,435**	**123,493**

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

Statement of Profit & Loss	31.12.2020	31.12.2019
Operating revenues	2,517	2,846
Total operating revenues	**2,517**	**2,846**
Purchases	(698)	(195)
External expenses	(1,365)	(1,475)
Payroll expenses	(2,692)	(2,571)
Operating tax expenses	(16)	(6)
Depreciation, Amortization & Provisions	(3,349)	(2,876)
Current operating result	**(5,604)**	**(4,277)**
Other operating income	233	9
Operating result	**(5,371)**	**(4,268)**
Financial Income	18,691	11,807
Financial expenses	(10,980)	(3,700)
Financial Result	**7,711**	**8,108**
Income tax expense (-) / benefit (+)	(220)	(244)
Net result from continuing operations	**2,119**	**3,596**
Earnings per share (in Euros)	0.40	0.63
Diluted earnings per share (in Euros)	0.38	0.61
EBITDA	**(2,022)**	**(1,392)**

Statement of total comprehensive Income	31.12.2020	31.12.2019
Net income	2,119	3,596
Other comprehensive income, that will not be reclassified subsequently to profit or loss	(4,543)	(119)
Group Total Comprehensive income	**(2,423)**	**3,477**

4. 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 01.01.2019	**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**
Situation at 01.01.2020	**5,831**	**124,884**	**(1,236)**	**(9,624)**	**1,232**	**121,088**	**0**	**121,088**
Net income	-	-	-	-	2,119	**2,119**	0	2,119
Other comprehensive income	-	-	-	(4,543)	-	**(4,543)**	0	(4,543)
Total comprehensive income	-	-	-	(4,543)	2,119	**(2,423)**	0	(2,423)
Capital decrease	(279)	(1,607)	1,885	-	-	**-**	-	-
Own Shares acquisition	-	-	(3,132)	-	-	**(3,132)**	-	(3,132)
Share based payments	-	-	-	-	286	**286**	-	286
Settlement in own share of share based payments	-	-	355	-	(355)	**-**	-	-
Other	-	-	-	-	0	**0**	(0)	(0)
Situation at 31.12.2020	**5,552**	**123,277**	**(2,127)**	**(14,167)**	**3,283**	**115,819**	**(0)**	**115,819**

5. 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 above still include a balance sheet, an income statement and a statement of changes in equity, but are 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 the relevant information on the Group's financial position.

The consolidation scope covers the 10 companies shown in the organization chart in section 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

2020 FINANCIAL YEAR

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 HOLDINGS 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 loss of financial year 2020 is mostly generated by the portfolio of financial assets. It amounts to EUR (5,829,362.70). The management is proposing following allocation:

	EUR
Profit or loss brought forward	(8,008,759.68)
Profit or loss for the financial year	(5,829,362.70)
Allocation to the legal reserve	-
Profit or loss carried forward	(13,838,122.38)

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 2020, 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 2020, 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 Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for 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 2021

BDO Audit
Cabinet de révision agréé
represented by

p.p.

Jessica Ott

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 f 01 **01/01/2020 to** 02 **31/12/2020**

(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	**146,574,166.13**	110	**150,492,498.36**
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	146,573,563.09	136	150,491,895.32
D. Current assets	1151		151	**58,778,486.03**	152	**6,565,169.12**
I. Stocks	1153		153	0.00	154	0.00
II. Debtors	1163		163	43,659.79	164	73,199.02
a) becoming due and payable within one year	1203		203	43,659.79	204	73,199.02
b) becoming due and payable after more than one year	1205		205	0.00	206	0.00
III. Investments	1189		189	57,831,141.37	190	4,915,654.30
IV. Cash at bank and in hand	1197		197	903,684.87	198	1,576,315.80
E. **Prepayments**	1199		199	**47,074.16**	200	**43,395.40**
		TOTAL (ASSETS)	201	**205,399,726.32**	202	**157,101,062.88**

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	**111,812,686.85**	302	**119,527,494.55**
I. Subscribed capital	1303	303	5,552,320.00	304	5,830,820.00
II. Share premium account	1305	305	117,727,146.72	306	120,225,233.04
III Revaluation reserve	1307	307	0.00	308	0.00
IV. Reserves	1309	309	2,371,342.51	310	1,480,201.19
V. Profit or loss brought forward	1319	319	-8,008,759.68	320	-9,031,230.43
VI. Profit or loss for the financial year	1321	321	-5,829,362.70	322	1,022,470.75
VII Interim dividends	1323	323	0.00	324	0.00
VII Capital investment subsidies	1325	325	0.00	326	0.00
B. **Provisions**	1331	331	**0.00**	332	**0.00**
C. **Creditors**	1435	435	**93,587,039.47**	436	**37,573,568.33**
a) becoming due and payable within one year	1453	453	93,587,039.47	454	37,573,568.33
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	**205,399,726.32**	406	**157,101,062.88**

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

RCSL Nr. : B145006	Matricule : 2009.2202.802

ABRIDGED PROFIT AND LOSS ACCOUNT

Financial year f 01 **01/01/2020 to** 02 **31/12/2020**

(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	**-1,457,991.43**	652	**-858,787.94**
6. Staff costs	1605		605	**0.00**	606	**0.00**
a) Salaries and wages	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
i) 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	**0.00**
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	0.00
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	**0.00**	716	**211.55**
a) derived from affiliated undertakings	1717		717	0.00	718	211.55
b) other income from participating inte	1719		719	0.00	720	0.00
10. Income from other investments and loans forming part of the fixed assets	1721		721	**1,699,946.68**	722	**537,268.87**
a) derived from affiliated undertakings	1723		723	339,324.40	724	537,268.87
b) other income not included under a)	1725		725	1,360,622.28	726	0.00
11. Other interest receivable and similar income	1727		727	**531,902.30**	728	**2,749.37**
a) derived from affiliated undertakings	1729		729	1,655.88	730	1,344.45
b) other interest and similar income	1731		731	530,246.42	732	1,404.92
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	**-3,851,745.30**	666	**1,509,552.15**
14. Interest payable and similar expenses	1627		627	**-2,737,309.71**	628	**-163,703.75**
a) concerning affiliated undertakings	1629		629	-2,563,524.03	630	-145,945.48
b) other interest and similar expenses	1631		631	-173,785.68	632	-17,758.27
15. Tax on profit or loss	1635		635	**-9,328.64**	636	**0.00**
16. Profit or loss after taxation	1667		667	**-5,824,526.10**	668	**1,027,290.25**
17. Other taxes not shown under items 1 to 16	1637		637	**-4,836.60**	638	**-4,819.50**
18. Profit or loss for the financial year	1669		669	**-5,829,362.70**	670	**1,022,470.75**

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

5. NOTES TO THE STATUTORY ANNUAL ACCOUNTS

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 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 annual accounts 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 the registered office:

VELCAN HOLDINGS
11, Avenue Guillaume
L-1651 Luxembourg

NOTES TO THE STATUTORY ANNUAL ACCOUNTS

2. ACCOUNTING PRINCIPLES

2.1. General Principles

2.1.1. General Information

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

2.1.2. Presentation of the annual accounts

Following the entry into force of the new standardized chart of accounts on 1 January 2020, certain figures for the 2019 financial year have been reclassified in order to ensure comparability with those of the financial year 2020. These reclassifications had no impact on the 2019 result.

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. ACCOUNTING PRINCIPLES (continued)

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.

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.

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. Investments

- 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.

- Other transferable securities

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.

NOTES TO THE STATUTORY ANNUAL ACCOUNTS

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 1 January 2020	150,082,316.91	8,698,433.30	10,000.00	158,790,750.21
Current year additions	0.00	339,324.40	0.00	339,324.40
Current year disposals/reductions/Reimbursements	0.00	0.00	0.00	0.00
Foreign currency impacts	0.00	-2,539,894.53	0.00	-2,539,894.53
Nominal value/Historical cost as at 31 December 2020	150,082,316.91	6,497,863.17	10,000.00	156,590,180.08
Value adjustments				
Accumulated depreciation as at 1 January 2020	-5,659,080.49	-2,639,774.40	0.00	-8,298,854.89
Current year allowance	-739,943.00	-1,137,107.67	0.00	- -1,877,050.67
Current year reversal	159,288.57	0.00	0.00	159,288.57
Foreign currency impacts	0.00	0.00	0.00	0.00
Accumulated depreciation as at 31 December 2020	-6,239,734.92	-3,776,882.07	0.00	-10,016,616.99
Net book value as of 1 January 2020	144,423,236.42	6,058,658.90	10,000.00	150,491,895.32
Net book value as of 31 December 2020	143,842,581.99	2,720,981.10	10,000.00	146,573,563.09

NOTES TO THE STATUTORY ANNUAL ACCOUNTS

3. FINANCIAL ASSETS (continued)

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

Company Name	Country/ functionnal currency	Percentage of holding as of 31/12/20	Last financial year end	Statutory' s profit/loss in local currency	Statutory' s net shareholder's equity 31/12/20 in local currency (*)	Net book value in VELCAN books as at 31/12/20 (EUR)
Velcan Holdings Mauritius Ltd	Mauritius/ EUR	100%	31/12/2020	(3,479,164)	132,760,948	132,760,948
Velcan Holdings Singapore Pte. Ltd	Singapore/ SGD	100%	31/12/2020	454,507 **	3 324 689 **	2,061,584
Rodeio Bonito Hidrelétrica LTDA.	Brazil/ BRL	99,99%	31/12/2020	4,530,736	39,196,157	9,020,050 ***
Velcan Desenvolvimento Energetico Do Brasil Ldta	Brazil/ BRL	99,99%	31/12/2020	1,290,233****	(6,877,236) ****	1.00
Velcan Energy Holdings (Dubai) Ltd	UAE/ AED	100%	31/12/2020	(6,863,954) **	(36,286,811) **	0.00

* The net income for the financial year 2020 is included in the net shareholder's equity

** Non audited

*** A loan (denominated in BRL) of EUR 2,720,981 (net of impairment) is booked in Velcan Holdings accounts of 2020 financial year

**** Non audited, includes a gain of BRL 1,311,449.51 pertaining to a success fee related to a previous year sale of an asset not classified in current year result in local gaap accounting in Brazil (classified as a previous year adjustment)

4. INVESTMENTS

As at 31 December 2020, the Company holds:

- 314,023 own shares (2019: 146,900), which include 216,678 shares purchased under the buyback programs conducted by the Company (see note 5.2) and 97,345 shares previously held by a wholly owned subsidiary of the Company (see note 9.2) for a total amount value of EUR 1,959,178.63;
- Shares of equities denominated in US Dollar currency (USD), bought through an ETF portfolio and valued at EUR 25,721,163.22 (USD 30,420,459.27) versus EUR 1,284,644.18 (USD 1,440,600.00) in 2019;
- Shares of equities denominated in Euros (EUR), bought through an ETF portfolio and valued at EUR 13,203,863.16;
- Shares of equities denominated in Japanese Yen currency (JPY), bought through an ETF portfolio and valued at EUR 11,710,848.511 (JPY 1,398,441,541.56) versus EUR 2,562,972.81 (JPY 312,349,490.00) in 2019;
- Shares of equities denominated in Great Britain Pound (GBP), bought through an ETF portfolio and valued at EUR 3,598,915.99 (GBP 3,283,723.63);
- Shares of equities denominated in Singapore Dollar currency (SGD), bought through an ETF portfolio and valued at EUR 488,058.46 (SGD 764,690);
- Shares of equities denominated in Australian Dollar (AUD), bought through an ETF portfolio and valued at EUR 48,702.77 (AUD 77,340);
- Shares of equities denominated in Swiss Francs (CHF), bought through an ETF portfolio and valued at EUR 1,100,410.63 (CHF 1,179,839.16);

Out of the whole portfolio of equities, an unrealized loss of EUR 4,066,290.02 has been booked while unrealized gains have not been recognized (accounting prudence principle).

NOTES TO THE STATUTORY ANNUAL ACCOUNTS

5. SHARE CAPITAL

5.1. Subscribed share capital

Date	Description	Number of shares	Nominal value per share	Subscribed capital - EUR
1 January 2020	Opening subscribed capital	5 830 820	EUR 1.00	5 830 820.00
4 April 2020	Capital decrease	-278 500	EUR 1.00	-278 500
31 December 2020	Closing subscribed capital	5 552 320	EUR 1.00	5 552 320.00

As at 31 December 2020, the subscribed capital amounts to EUR 5,552,320.00 represented by 5,552,320 fully issued and subscribed shares with a nominal value of EUR 1 each.
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. SHARE CAPITAL (continued)

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 summarizes the purchase of own shares through buyback programs made by the Company during 2020:

Reasons of purchases effected during 2020	Capital reduction by cancellation of purchased shares and future service of share ownership plans
Total number of shares purchased in 2020	492,348 shares
Nominal value of shares purchased in 2020	Eur 492,348 – Eur 1 nominal value per share
Percentage of capital bought back	8.87% based on the share capital as of 31 December 2020
Shares cancelled during 2020	278,500 shares have already been cancelled in April 2020
Shares sold	Nil
Total price paid towards share buybacks in 2020	Eur 3,131,696.32
Total own shares owned as of 31 December 2020	314,023 shares
Percentage of capital held as of 31 December 2020	5.66%

The purchases made in 2020 are part of 2 different programs, one started in 2019 and ended on 12 March 2020 and one started on 13 March 2020 and still ongoing as of 31 December 2020 (see note 14. Subsequent events).

5.2.2. Summary of own shares owned:

As a consequences of transaction in 5.2.1, the Company hold own shares as below:

Owned as of 1 January 2020	146,900
Total number of shares purchased in 2020 (Buyback programs)	+ 492,348
Shares cancelled during 2020 (capital decrease)	- 278,500
Shares delivered as free shares (see note 7)	- 46,725
Owned as of 31 December 2020	314,023
Percentage of capital held as of 31 December 2020 (based on the share capital as of 31 December 2020)	5.66%

5. SHARE CAPITAL (continued)

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 2020 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 2020 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 2020). 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 2020). As a result, the total number of voting rights in the Company, existing at 31 December, 2020, is as follows: 9 618 820 votes.

7. FREE SHARES AND SHARE BASED PAYMENTS

7.1 Free shares allocated during the year

No free share plans were allocated during 2020.

7.2 Free shares allocated in previous years

In previous years 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 2020, the pending vesting of free shares under such plan is as follows:

		FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	TOTAL
Vesting of Free Shares (in shares)		**46,350**	**13,475**	**10,000**	**10,000**	**10,000**	**89,825**
Of which distributed		-	-	-	-	-	-
Of which undistributed		46,350*	13,475	10,000	10,000	10,000	89,825

* Distributed in January 2021

7.3 Expenses booked in accounts related to Free Shares:

A total expense of EUR 331,402.50 (2019: EUR 355,110) has been recognized in the gross profit or loss in 2020 corresponding to the 46,350 shares vested in 2020 and delivered in 2021 (see 7.2 above) booked at a unit cost of EUR 7.15.

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 2020, with the vesting of 32,500 shares as on 31 December 2020. The related cost of EUR 232,375 (2019: EUR 247,000) for 2020, at a unit cost of EUR 7.15 has been recognized in 2020 annual accounts as part of the amount of EUR 331,402.50 (2019: EUR 355,110) described above under note 7.3.

9. RESERVES

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 2020 nor 2019.

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 1,959,178.63 (2019: 1,068,037.31) 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. CREDITORS

Creditors is mainly made up of:

- current accounts with a wholly owned subsidiary of the company (EUR 69.5 m)
- short term overdraft facility granted by a bank of the Company to leverage its investments (EUR 22.9 m)

11. TAX RATE

The Company is fully taxable at a maximum rate of 24.94% (2019: 24.94%) 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. The tax provision is now included in tax debt.

12. 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.

13. EMPLOYEES

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

NOTES TO THE STATUTORY ANNUAL ACCOUNTS

14. TURNOVER

The turnover for the year 2020 represents costs re-invoiced to subsidiaries.

15. 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:

- In March 2020, in the light of the Covid-16 pandemic and its impact on the financial markets, the Company started to take exposure to equity and commodities. This strategy of asset reallocation of the financial assets proved profitable on an unrealized basis so far in 2020 and early 2021.

- 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. Land acquisition administrative procedures as well as the search for a power purchase agreement (PPA) have also practically been stalled or slowed down by confinement measures. The land acquisition survey has restarted in February 2021, and the corresponding Government report is under progress. Covid-19 also has a triggered consequences on the electricity market during 2020, 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 20 to 30 March 2020. Spot power price touched a three years low of INR 0.6 per unit on 25 March 2020 due to low demand. It is not known whether this crisis will have long term consequences on the electricity market in the world and in India. Those projects have a total value in the accounts of the Mauritian subsidiary of EUR 5.1 m (4% of the entity's net shareholder's equity value).

- The Brazilian subsidiary, Rodeio Bonito Hidreletrica Ltda., is owning and operating a dam in Brazil. The impact on Power Purchase Prices (PPAs) when the contract renewal will be due is difficult to predict but could be negative in the short term and uncertain in the long term. It had no significant impact on the operation so far in 2020 and early 2021. 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 as the Brazilian Currency continue to fall in early 2021 after a sharp decrease in 2020.

15. COVID 19 – Crisis consequences: (continued)

At this point, the Company reasonably estimates that much of the known current impacts of this pandemic have been valued in the accounts, particularly when it comes to the most significant accounting estimates.

16. SUBSEQUENT EVENTS

Sale of the equity Portfolio to its subsidiary

In February 2021, the Company sold most of its equity portfolio to its Mauritian subsidiary with a significant realized historical gain (EUR 12.4 m) while the unrealized gain as of 31 December 2020 had not been recognized (see supra 4.) which will positively impact 2021 result of the Company. However it is an intercompany sale and will not generate a permanent realized financial gain until the subsidiary has sold this equity portfolio.