

## PRESS RELEASE

Luxembourg, 22<sup>nd</sup> October 2021

### VELCAN HOLDINGS: HALF YEARLY RESULTS (CONSOLIDATED AND UNAUDITED) OPERATING LOSS BUT GOOD FINANCIAL PERFORMANCE, EUR 6.1m NET RESULT SUSPENSION AND FULL IMPAIRMENT OF INDIAN HYDRO PROJECTS,

	<u>30.06.2021</u>	<u>30.06.2020</u>	Var %
Turnover Half Year (Million Euros)	0.8	1.0	-13%
EBITDA Half Year (Million Euros)	-1.8	-1.3	-36%
Net Result Half Year (Million Euros)	6.1	-2.7	NA
	<u>30.06.2021</u>	<u>31.12.2020</u>	Var %
Cash and Financial instruments (Million Euros)	118	105	+13%
Consolidated Equity (Million Euros)	122	116	+6%

Note: half yearly financial statements are not audited

#### Brief comments on 2021 first half

- In H1 2021, the Group has further reduced its bond portfolio given it estimated the rewards remained insufficient to cover the potential default risks. With the US and Chinese market experiencing a rebound with the support of the FED and increased vaccination campaigns, the Group positions in equity and commodities (the latter mostly oil and gold related) have on average performed well, leading to a financial gain of EUR 15.8m, compared to EUR 1.9m at the end of H1 2020. The biggest contributor to this gain were the investments in banks and oil related companies.
- As of June 30<sup>th</sup>, the portfolio is mainly constituted of cash (26%), gold and silver (21%), oil related stocks (24%), and equity long positions (39%). The balance is equity short positions, BRL and INR MM funds, bonds and private equity<sup>1</sup>.
- As of H1, the Group financial assets were exposed to the US Dollar (16% against 35% in 2020), the Japanese Yen (25%, at the same level as in 2020) and the Euro (19% against 22% in 2020). It is to be noted that the gold and silver positions are priced in USD and as such are included in the former USD exposure.

<sup>1</sup> See full details in chart page 5 of the H1 report, the total is more than 100% because of the overdraft facility which accounts negatively in the portfolio for -21%.



- The turnover, exclusively coming from Velcan Holding's participation in the Rodeio Bonito hydropower plant in Brazil, in the first half of 2021 amounted to EUR 0.8m. It was down by 12% when expressed in Euros and up by 4.5% when expressed in BRL relative to H1 2020. This mainly results from the stronger average EUR/BRL rate during H1 2020 (1 EUR=5.42 BRL) vs H1 2021 (1 EUR=6.49 BRL).
- Operating costs were higher when compared to H1 2020 (EUR -2.6m during H1 2021, versus EUR -2.0m during H1 2020) because of a EUR 0.8 m provision booked for staff cost in view of the good financial result achieved so far in 2021.
- Depreciation, Amortization & Provisions increased significantly (EUR -7.6 m for H1 2021 vs -3.1 m for H1 2020) mostly because of the full impairment made on Indian Projects (impairment of EUR 7.4m booked in H1 2021, bringing the total impairment of the Indian projects to 100% considering previous impairments) that followed the suspension of the projects and the Group's operations in India.
- After years of negotiations, the amendment of the concession agreements of the hydro projects came to a deadlock, as the Government of Arunachal Pradesh (GoAP) refused categorically to consider vital provisions, despite further exchanges and discussions between April and July 2021. The essential provisions at stake relate notably to the allocated installed capacities, the administrative fees, the development timeframe, the conditions under which Velcan Holdings would be obliged to start the projects' constructions, and the obligations of both parties.

The concession agreements are the central foundation of the projects as they are the basis of all technical and environmental licenses and authorizations, and the basis for further projects development, including their bank financing. In absence of the above-mentioned amendments, the current concession agreements are inadequate and the Techno-Economic Clearances granted by the Government of India in 2015 are technically not valid anymore.

During H1 2021 and after almost one year of complete inactivity, some of the land surveys required by the land acquisition procedure, were completed in March 2021 but the overall procedure did not make progress, as the section 19<sup>2</sup> could not be completed. As for the other project activities (notably access roads, forest clearance and power purchase agreement) presented in detail in the annual report published in April 2021, no progress is to be reported for H1 2021.

Not seeing any possibility of further discussion with GoAP, Velcan Holdings decided to suspend the projects, as they are not in a position to make any progress at all under such circumstances. The Group's entire Indian operations were suspended, and the Group's New Delhi Office as well as site offices have been shut down by the end of Q3 2021. The Group will continue to monitor the evolution of the Indian hydropower market, and although it is not favorable at the

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<sup>2</sup> Please refer to the half yearly report for complete details of the land acquisition status.

moment, will look for a possible majority partner to take over the projects and the development operations.

- Added to the consumed purchases in Brazil, the above-mentioned impairment of the Indian projects led to a sharp increase of the operating loss (EUR -9.4m for H1 2021 against EUR -4.5m for H1 2020).
- Net result, Group share, was therefore a gain of EUR 6.1m vs. a loss of EUR 2.7m in H1 2020.
- Group other comprehensive income amounts to a gain of EUR 0.7m in H1 2021 vs a loss of EUR -3.6 m in H1 2020, mostly due to the appreciation of the Brazilian currency (+7%) and the Indian Rupee (+2%) and its impact on the Group conversion reserves where the assets held in foreign currency in Brazil (Rodeio Bonito) and India are translated into Euro. The Group total comprehensive income for H1 2021 amounts to a gain of EUR 6.8m vs a loss of EUR 6.2m in 2020.
- Shareholder's equity amounts to EUR 122.5m as of 30th June 2021 vs. EUR 115.8m as of 31st December 2020 (EUR +6.7 m) mostly due to the good financial result during H1 2021.
- The Company had initiated a buyback program on 13th March 2020 in order to purchase another 300,000 shares at a maximum price of Eur 5.1 per share, for a maximum total amount of buyback that shall not exceed 1,530,000.00 Euros, excluding acquisition costs. As of 16<sup>th</sup> 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 under such program. The maximum purchase price was amended to 7 euros on 17<sup>th</sup> September 2020. Out of this program, which is still ongoing, the Company bought a total of 219,823 shares for a total amount of 1,285,525 euros (including brokerage) as of 30th June 2021. A total of 20,426 shares were acquired during H1 2021 itself.
- The number of 294,449 Treasury shares as of 30th June 2021 has decreased as compared to 31st December 2020 (314,023 own shares) due to the distribution of 46 725 shares to employees and despite the above-mentioned programs. The net number of outstanding shares as of 30th June 2021 is 5,257,871.

The complete half yearly report 2021, including the condensed and non-audited financial statements as of 30<sup>th</sup> June 2021, is available online at <http://www.velcan.lu/investors/reports-accounts/>

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Investor Relations Contact [investor@velcan.lu](mailto:investor@velcan.lu)



### **About Velcan Holdings**

Velcan Holdings is an investment holding company founded in 2005, managing a global portfolio of participations.

Velcan Holdings' headquarters are in Luxemburg, with administrative and financial offices in Singapore and Mauritius.

The company was launched more than 15 years ago by its reference shareholder LHP SA, owned by Velcan Holdings' management team.

Velcan Holdings is listed on the unregulated Euro MTF Stock Market in Luxemburg (Ticker VLCN/ISIN FR0010245803). Velcan Holdings never performed any Public Offer as understood under Directive 2003/71/CE of the European Parliament and Council.

### **Disclaimer**

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*This announcement does not constitute a public offering ("offre au public") nor an invitation to the public or to any qualified investor in connection with any offering. This announcement is not an offer of securities in the United States of America or in any other jurisdiction/country.*

