VELCAN Holdings

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

FINANCIAL YEAR ENDED 31st DECEMBER 2021

VELCAN HOLDINGS SA
Société Anonyme with a capital of € 5 552 320
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1. Key figures & Executive Summary

Velcan Holdings is a Luxembourg headquartered holding company founded in 2005 managing a global portfolio of investments. The assets of the group are deployed in listed and unlisted financial investments, minority private equity participations, commodities, bonds, cash and cash equivalents (bank current accounts and deposits), and a 15 MW hydro power plant in Brazil.

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

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

Non-Audited Consolidated Financial Data
in Million Euros

	31.12.2021	31.12.2020	Var %
§ Turnover	2.4	2.5	-4%
§ EBITDA	-5.6	-2.0	-176%
§ Net result	6.5	2.1	+205%
§ Cash & Financial assets*	120	105	+15%
§ Cons. Equity	122	116	+5%

2. Main events of 2021

The financial portfolio of the Group performed well during the year. In 2021, the Group kept reducing 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 21.0m (+173%), compared to EUR 7.7m at the end of 2020. The biggest contributor to this gain were the investments in banks and oil related companies.

As of 31/12/2021, in percentage of the net assets, the portfolio is mainly constituted of cash (21%), gold and silver linked securities (22%), oil related securities (27%), and other equity long positions (47%). The balance is equity short positions, BRL and INR MM funds, bonds and private equity (see full details in chart page 6), the total is more than 100% because of the overdraft facility (-27%) and the net unrealized loss of opened positions on forward forex (-1%), which account negatively in the portfolio.

As the end of the year 2021, the Group financial assets were exposed to the US Dollar (46.6%, excluding the overdraft against 35% in December 2020), the Japanese Yen (26.4%, kept at the similar level as in December 2020) and the Euro (17.4% against 22% in December 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.

This allocation strategy of the financial assets proved profitable in 2021 as the Group net financial assets rose from Eur 105 million to Eur 120 million (+15%) and the financial result amounted to EUR 21.0 m as of 31/12/2021, +173% when compared to 2020 (EUR 7.3 m).

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. That said, for 2022, the Group is monitoring potential rate hikes from the U.S Federal Reserve, Bank of England and European Central Bank. The current Ukraine invasion by Russia has sustained market uncertainty post-Covid 19 and may have reduced the probability of aggressive rate hikes from major central banks.

The Indian greenfield hydropower projects were suspended. During the Fiscal Year 2021, despite the many efforts and various attempts, the Group's existing hydropower concessions located in India (571 MW) did not make any progress due to long lasting administrative impediments faced notably in the land acquisition procedure and the hydroelectricity distribution regulatory framework. The crucial amendments of the concession agreements were not agreed to by the Government. 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. An additional provision or Eur 7.5 million for 2021 was booked on the intangible value of the Indian projects, in addition to the previously booked provisions. This brought the total provision to Eur 15.0 million (100%). The Group has started looking for potential investors to take over the projects, despite unfavourable market conditions.

The Rodeio Bonito plant generation of 27,638 MWh during 2021 was again very weak, against 29,496 MWh in 2020, and close to the all-time record low of 2012 (24 793 MWh). This reflects again very low precipitation levels in Brazil in over the past few years. The turnover from sales of electricity amounted to EUR 2.4m or BRL 15.5 m. It was down by 3.7% when expressed in Euros and up by 4.3% when expressed in BRL relative to 2020 (EUR 2.5 m or BRL 14.8 m for 2020). The increase of the turnover in BRL is due to a slight increase in electricity sales prices.

Share buyback programs were continued by Velcan Holdings during 2021 in order to provide liquidity to shareholders wishing to sell their shares. Taking into account the price and liquidity levels since the end of March 2021, the Board of Directors decided at the end of October 2021 to increase the number of shares to be purchased, still with the aim of buying shares of the Company from shareholders wishing to sell them, but not finding sufficient liquidity, mainly in view of their cancellation. The shares are bought back in view of their cancellation or to cover for new grants of free shares. A total of 93,941 shares were bought back in 2021, for a total price of Eur 869,269.31. As of 31st December 2021, Velcan Holdings held 361,614 own shares representing 6.51% of its share capital.

3. Activity over the period

3.1. Financial Portfolio Management

The Group has kept managing its portfolio of financial assets to provide financial returns. The Group has invested over the years in a diversified array of financial assets including:

a) until late 2019 mainly corporate and government bonds both in local and reserve currencies;
b) since then, mainly in worldwide equity, gold related assets, commodities, forex, direct lending and private equity investments.

While reallocating its financial assets towards equity during 2020, 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. 2021 has been an exceptional year for equity markets where we have seen positive performance on those stocks as they started to recover in H1 2021 from their historically low prices of 2020. The markets were supported by highly accommodative fiscal and monetary policies. 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) performed well in 2021, leading to a financial gain of EUR 21.0m (+173%), compared to EUR 7.7m at the end of 2020. The biggest contributor to this gain in 2021 were the investments in banks and oil related companies.

In 2021, the Group has further reduced its bond portfolio given it estimated the rewards remained insufficient to cover the potential default risks. The evolution of the portfolio allocation is detailed below.

FINANCIAL INSTRUMENTS	Value 31.12.2021 in mEUR	Weight (% of net assets)	Value 31.12.2020 in mEUR	Weight (% of net assets)
Bonds	8.4	7%	19.5	19%
Cash and cash equity, Unrealized Gains on open Forward Forex and MM Funds	26.9	22%	14.9	14%
Gold and silver related stocks	26.5	22%	23.7	23%
Oil related stocks	32.3	27%	21.6	21%
Equity Long positions (EM, EU, USA, Japan)	56.7	47%	44.3	42%
Equity Short	3.1	3%	3.8	4%
Private Equity & Lending	0.5	0%	0.6	1%
Total assets (A)	**154.5**	129%	**128.4**	123%
Bank Overdraft and short-term loans	-33.3	-28%	-23.9	-23%
Unrealized losses on open forward forex	-1.4	1%	0	0%
Total in Financial liabilities (L)	**-34.8**	-29%	**-23.9**	-23%
Net Total (A+L)	**119.7**	100%	**104.5**	100%

The equity portfolio, including gold, silver and oil related stocks, is deployed across a diversified array of 71 different issuers and ETFs. The gold position, which the Group considers to be equivalent to a separate currency, was held through 4 positions: initially a large position of SPDR Gold Shares, which is an ETF backed by physical gold, which was shifted to an investment in gold mining companies through the VanEck Gold Miners ETF. As of 31.12.2021, this ETF position is worth 18.8m. The Group also has smaller holdings in gold mining companies.

The Group further invested in Alibaba in 2021 and other Chinese stocks including Anhui Conch Cement Co Ltd, Tencent and China Mobile. Exposure to Oil related stocks was also increased in 2021 through the purchase of CNOOC and Royal Dutch Shell stocks. This was partly funded by a reduction in exposure to banking stocks including Citigroup, WFC, COF, BBVA, Santander, UBS Group and DBS Group around mid-2021.

As to non-gold related equities, 6 positions stand above EUR 5m: BP Plc, Chevron Corp., Exxon Mobil, Wells Fargo, Royal Dutch Shell and Pin Ang Insurance Group of China. Total Energies SE, Alibaba Group, Banco Bilbao Vizcaria Argentaria SA and Citigroup Inc are the 4 holdings above EUR 3.5m and below EUR 5m. Then CNOOC Ltd, Banco Santander and Capital One Financial Corp are the 3 positions above EUR 2.5m

Geographically the Group's equity investment is mostly exposed to U.S, Chinese, European and Japanese issuers as of 31st December 2021. The newly invested equity performed well during the year. The banking and oil related investment have performed well in 2021, in the range of +40 to +60%.

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

The remaining bonds portfolio is exposed to issuers in the BB and CCC ratings (as defined by Standard & Poor's). One of the bonds has a long maturity, whereas the other has a maturity of less than 4 years. At period closing date the lines of the Group are with the following issuers:

a) EUR 1.9 m exposure to the republic of Argentina.
b) above EUR 3.5 m of exposure to NORDDEUTSCHE LANDESBANK

The performance of the bond investments is not material compared to the one of the rest of the portfolio in 2021. The Group had already significantly reduced the size of the bond portfolio as of the end of the year 2020, and kept doing so in 2021, bringing it down to 7% of the total financial portfolio. Because of the current extremely low interest rates and stimulative 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 term in corporate bonds. That said for 2022, the Group is monitoring potential rate hikes from the U.S Federal Reserve, Bank of England and European Central Bank. The current Ukraine invasion by Russia has sustained market uncertainty post-Covid 19 and reduced the probability of aggressive rate hikes from major central banks.

As of the end of 2021, the Group private investments sit at EUR 0.5m, which represent only private equity and are mostly investments in the shipping sector (vessels) made between 2016 and 2019. The Group also had granted loans to finance vessels to shipping operators. On one of them, a principal amount and various recoverable expenses related to the recovery of the loan remain due to the Group (EUR 4m excluding interests) but remain fully impaired.

The Group has further reduced its financial exposure to the USD and maintained its exposure to the Euro and the Japanese Yen. As of the end of the year 2021, the Group net financial assets and liabilities were mostly exposed to the following currencies:

- the Japanese Yen (26.4%, kept at the similar level as in December 2020),
- the Hong Kong Dollar (17.9%),
- the Euro (15%)
- the Singapore Dollar (11%)

Net exposure to the USD was significantly decreased as it fell down to 3.7% at the end of December 2021.

The Group also has EUR 3.6 m of investments in Money Market funds and sovereign bonds.

Like last year, but unlike the years prior to 2020, the Group has used some leverage. The net cash position of the group as of 31/12/21 is EUR -7.8 m (cash and cash equivalents of EUR 25.5m and a bank overdraft of EUR 33.3 m secured on the listed financial assets of the Group). The Group had a net cash position of EUR -12.9m as of 31/12/20.

3.2. Majority Participation in the Rodeio Bonito Hydropower Plant (Brazil)

The electricity generation of 27,638 MWh during 2021 (against 29,496 MWh in 2020) was again very weak and well below Rodeio Bonito's ensured energy[1] and close to the all-time record low of 2012 (24 793 MWh). This reflects again very low precipitation levels in Brazil in 2021 comparable, to those of 2020. The extensive rain deficit for several consecutive years has been weighing on Brazil's hydropower sector and Brazil power sector in general.

This resulted again in an overall MRE system (Energy Reallocation System) in deficit in 2021, with a significant impact of consumed purchased for the Rodeio Bonito plant (EUR -0.9m in 2021 compared to EUR -0.7m in 2020).

The operation and maintenance of Rodeio Bonito are satisfactory with a technical availability of 98.7% during 2021, against 97.4% for 2020.

The turnover from sales of electricity by the Rodeio Bonito Hydro Power Plant (HPP) in Brazil amounted to EUR 2.4m or BRL 15.5 m. It was down by 3.7% when expressed in Euros and up by 4.3% when expressed in BRL relative to 2020 (EUR 2.5 m or BRL 14.8 m for 2020). This negative impact in EUR compared to local currency is due to a -8% depreciation in the average EUR/BRL rate during 2021 financial year compared to 2020 financial year, while the positive impact in BRL is due to an inflation linked increase in electricity prices.

[1] 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.

As a result, the EBITDA of the plant was down to BRL 6.3m against BRL 8.2m in 2020 (-23% mainly because of the MRE negative impact). When expressed in EUR, it was even down by 29% (EUR 1.0m in 2021 VS EUR 1.4m in 2020) because of the worst average EUR/BRL rate as seen above.

3.3. Hydropower Projects in India

In India, after more than 5 years of discussions, the negotiation of 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 main amendments at stake relate 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, the obligations of both parties, and the increase of the free power to the GoAP against the withdrawal of its potential equity participation in the projects. The GoAP only agreed on the later point, whereas Velcan Holdings considers the GoAP had initially no right to any equity participation in the projects.

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, notably appropriate allotted capacities and development timeframe, the current concession agreements are inadequate and the Techno-Economic Clearances granted by the Government of India in 2015 are technically not valid anymore.

The surveys required by the section 19[2] of the land acquisition procedure were restarted in February 2021 by the government, after almost one year of complete inactivity. The surveys and boundary marking were completed by the District Administration in March 2021. But 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. Because Section 19 has not been completed, it is the understanding of the group that the section 11 of the procedure, which is crucial as it enacts the consent of the land owners to land acquisition, expired on 25th September 2021.

As for the other project activities (land acquisition, access road, forest clearance and power purchase agreement) presented in detail in the annual report 2020 published in April 2021, no progress is to be reported for 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

[2] 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, if any, the State Government would 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).

although it is not favorable at the moment, has started looking for a possible majority partner to take over the projects and the development operations.

An additional provision or Eur 7.5 million for 2021 has been booked on the intangible value of the Indian projects, in addition to the previously booked provisions. This brings the total provision to Eur 15.0 million (100%).

4. Unaudited and condensed financial statements - comments

2.1 Unaudited and condensed financial statements

A. Income Statement

Turnover amounted to EUR 2.4m (against EUR 2.5m in 2020, a 4% decrease), mainly from electricity sales in Brazil.

The current operating result amounted to EUR -13.8m (against -5.6m in 2020):

- Payments by Velcan for the MRE (Energy Reallocation Mechanism) were of EUR 0.9m in 2021 vs. EUR 0.7m in 2019.
- Depreciation and amortization of tangible and intangible assets of Rodeio Bonito plant amounted to EUR 0.5m (like in 2020), while depreciation on intangible projects under development was EUR 7.5m in 2021 vs an amount of EUR 2.8m in 2020 and EUR 2.2m in 2019, due to the provision passed on Indian projects.
- Staff expenses amounted to EUR 5.7m in 2021 vs EUR 2.7m in 2020 with an increase mainly due to the provision for bonuses related to the good performance of the portfolio of financial assets. The Group employed on average 12 permanent employees in 2021.

External expenses are totaling EUR 1.6m in 2021 vs EUR 1.4m in 2020 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 0.9m 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	31.12.2021	31.12.2020
Statutory auditor fees (BDO Luxembourg)	10	10
Consolidated audit fess (BDO Luxembourg)	-	-
Other Annual accounts auditor fees (BDO)	12	15
Total	**22**	**25**

Net Financial Gain for the group amounted to EUR 21.0m in 2021 (see section 3.1 above), compared to EUR 7.7m in 2020.

In 2021, other operating income and expenses were NIL compared to EUR 0.2m in 2020 which consisted mainly of earn out gains on Brazilian assets related to Brazilian assets divested in previous years.

Income tax expense amounted to EUR -0.7m in 2021 vs EUR -0.2m in 2020.

The net result, Group share, was EUR 6.5m in 2021 FY compared to EUR 2.1m in 2020. The Group's EBITDA fell to EUR -5.9m compared to EUR -2.0m in 2020.

The stabilization of BRL (+0.1%) and the appreciation of the Indian Rupee (INR+5.7%) rates when compared to Euro, at 2021 closing date had a sight positive impact on the other comprehensive income, as the Group's main tangible and intangible investments have been done in local currency on the contrary to last year were the strong depreciation of BRL (-41%) and INR (Indian Currency -12%) rates had heavily and negatively impacted the other comprehensive income (EUR 0.3m in 2021 against EUR -4.5m in 2020). The total comprehensive income amounts to a gain of EUR 6.8m in 2021 against a loss of EUR -2.4m in 2020.

B. Balance sheet

Assets:

Net intangible assets stand at 1.0m in 2021 and are down by EUR 7.2m versus 2020, because of the provision of EUR -7.5m passed on Indian assets, an amortization of -0.1m on Rodeio Bonito's intangible assets, and despite the appreciation of the Indian currency (EUR 0.2m) and the addition of EUR 0.2m of capitalized costs on Indian projects.

Net tangible assets stand at 4.9m in 2021 and decreased by EUR 0.4m between 2020 and 2021, mainly because of the depreciation of the Rodeio Bonito plant (EUR -0.4m) while the stabilization of the Brazilian currency had no impact on it (VS an impact of EUR -2.3m in 2020).

Cash, cash equivalent assets and financial assets (net of Current financial liabilities) have increased from EUR 105m in 2020 to EUR 120m in 2021 (+15%) mainly thanks to the good performance of the Group's financial portfolio and despite the share buyback programs (EUR -0.9m). Financial assets consist mainly in listed equity, commodities related stocks, gold related stocks, and bonds. (See chart page 6).

Finally total assets increased by 12.9% during 2021 FY (up by EUR 18.4 m), mostly because of the good financial result and the bank overdraft facility described in below as part of the "liabilities" and the related asset purchases, and despite the significant provision on Indian assets.

At 31st December 2021, the Group (Velcan Holdings and its subsidiaries) holds 361,614 own shares (2020: 314,023). At year end closing price of EUR 9.35 those own shares have a market value of EUR 3.4m. As per IFRS rules, this amount is not accounted in assets of the Group.

Liabilities:

Non-current provisions and other non-current liabilities amount to EUR 0.8m and EUR 1.0m at 31 December 2021 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 2.6m vs EUR 0.9m in 2020, due to EUR 2.4 m of payable related to bonuses and success fees (see above).

Current financial liabilities of EUR 34.8 m in 2021 (vs 23.9 in 2020). They relate to:
- EUR 30.9m (2020: EUR 23.9m), of 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.
- EUR 0.5m of overdraft facility granted by a brokerage firm to the Group to buy its own shares;
- EUR 1.9m of short-term loan granted by a bank of the Group to leverage its investments;
- EUR 1.4m of net losses on Forward forex open positions.

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 -2.7m at 31st December 2021 versus EUR -2.1m at 31st December 2020 following the share buyback programs (EUR -0.9m) and the use of shares (EUR +0.3m) to cover share-based payments to staff (Part III, notes 4, 5 and 7).

As at 31st December 2021, unrealized losses on conversion reserves, booked directly against the equity amounted to EUR -13.8m versus an unrealized loss of EUR -14.8m at 31st December 2020 (see comprehensive income comment above).

With a consolidated equity of EUR 121.6m (+EUR 5.8m compared to 2020), the Group still has a healthy financial position (cash position + financial assets – financial liabilities = EUR 120m).

5. Foreseeable evolution of the Group

After the closing of this financial year the group will pursue the diversification of its investment portfolio in order to maximize possible returns.

[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 share purchase agreement, amounting to EUR 0.3 m at 31/12/2020 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 31/12/2020 closing rate) plus interest. The Group considers this demand as frivolous.

6. Report on share buybacks

Reasons of purchases effected during 2021	Capital reduction by cancellation of purchased shares and future service of share ownership plans
Total number of shares purchased in 2021	93,941 shares
Nominal value of shares purchased in 2021	Eur 93,941 – Eur 1 nominal value per share
Percentage of capital bought back	1.69% based on the share capital as of 31/12/2021
Shares cancelled during 2021	Nil
Shares sold	Nil
Total price paid towards share buybacks in 2021	Eur 869,269
Total own shares owned as of 31/12/2021	361,614 shares
Percentage of capital held as of 31/12/2021	6.51%

The purchases made in 2021 are part of a program initiated on 13th March 2020 and amended on 4th November 2021. Taking into account the price and liquidity levels since the end of March 2021, the Board of Directors decided such amendment to increase the number of shares to be purchased, still with the aim of buying shares of the Company from shareholders wishing to sell them, but not finding sufficient liquidity, mainly in view of their cancellation.

This program is still ongoing as of the date of this report. The amendment of November 2021 entails the purchase of a maximum number of 273.827 shares, from the amendment date, representing 4.93% of the current share capital, for a total acquisition cost of Eur 2,700,000 euros (excluding acquisition costs).

At the end of the year the Company had bought a total 286,988 shares under this buyback programme (since its launch in march 2020). 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/).

7. Events subsequent to 31st December 2021

No events subsequent to the 31st December 2021 are to be reported.

8. Risk factors and uncertainties

8.1 Risks related to the Group's financial assets portfolio

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, Fx, 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	2021	2020
Euros (EUR)	15%	19%
US Dollars (USD)	4%	32%
Brazilian Reals (BRL)	8%	8%
Indian Rupee (INR)	-1%	5%
Singapore Dollar (SGD)	11%	4%
Japanese Yen (JPY)	26%	22%
British Pound (GBP)	5%	3%
Hong Kong Dollar (HKD)	18%	0%
Chinese offshore yuan (CNH)	9%	0%
Others	5%	6%

As of 31st December 2021,

- the USD balance sheet net monetary exposure is only 4% (VS 32% in 2020).
- 26% of the financial instruments are denominated in JPY (VS 22% in 2020)
- 18% of the financial instruments are denominated in HKD
- 11% of the financial instruments are denominated in SGD
- 9% of the financial instruments are denominated in Chinese offshore yuan

The Company accounts being in Euros, thereby exposing the Group to the risk of significant Forex losses in case of market movements on the Euro VS currencies listed above. The FOREX strategy has been more diversified than in previous years with Group's balance sheet net monetary exposure almost no more sensitive to USD fluctuations.

The Group's balance sheet is also significantly exposed to the Brazilian Real because of the significant investments made for the RODEIO BONITO concession (Tangible and intangible assets) and because of the electricity sales in Brazilian Real of the RODEIO BONITO plant (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 2021, 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 0.2 m at 2021 year end (2020: EUR 0.4) and a fair value loss of EUR 1.4m at 2021 year end (2020: NIL).

- Interest rate risk

The Group's portfolio is mainly invested in listed equity funds, listed equity, gold and silver 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 8.4 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 can invest 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 31/12/2021, the group is mainly exposed to issuers in the BB and CCC ratings (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.

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.

- Price risk,

Given the Group's array of investments, it is highly sensitive to the evolution of financial markets, especially the evolution of stock, commodities and bonds quotes and currency rates, which cannot be predicted. The listed equity and commodity exposure of the Group amounts to EUR 118.6m, the MM Funds exposure amounts to EUR 1.2m while the listed bond exposure amounts to EUR 8.4m as of 31/12/2021. 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 7.1 materialize to a significant extent, the Company could lose part, or all, of 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.

8.2 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[4] which mutualized the hydrological risk. However in case of important nationwide drought has seen in Brazil in 2017, 2018, 2020 and 2021, 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;

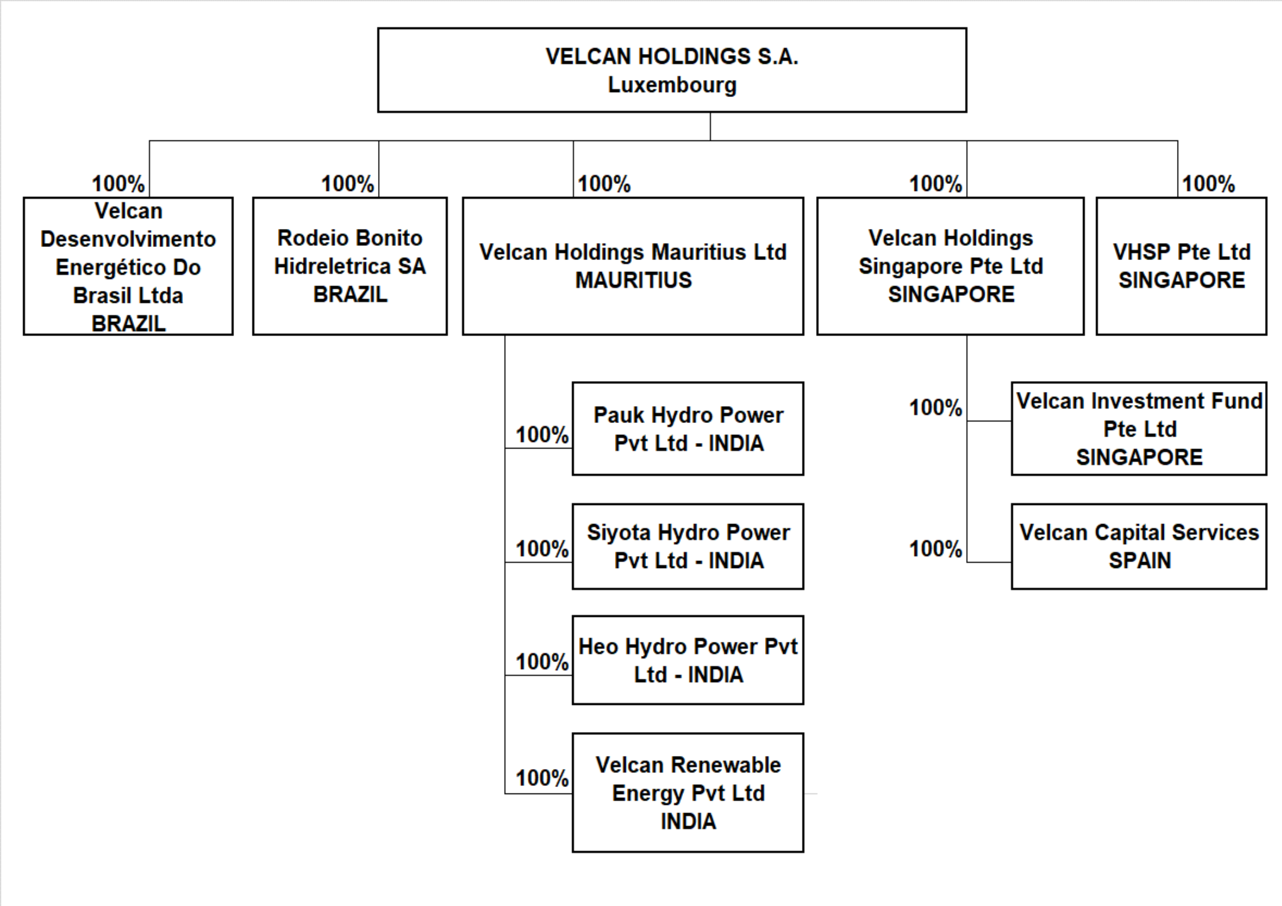
[4] In Brazil, « guaranteed energy » or « ensured energy » means the annually marketable energy as approved by MME – Ministério de Minas e Energia (Department of Mines and Energy) and guaranteed through the Brazilian power system for power plants opting for the MRE (Energy reallocation Mechanism), mechanism 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.

- 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 risks 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.

9. Organization Chart



As of 31st December 2021, Velcan Holdings SA, the parent company of the Group, which is based in Luxembourg, controls 11 companies, direct or indirect subsidiaries, located in seven countries: India, Brazil, the United Arab Emirates, Luxembourg, Mauritius, Singapore and Spain. An entity in the UAE is under voluntary liquidation as of 31/12/2021 and has been taken out from the chart.

II. NON-AUDITED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(in thousands of Euros)

Assets	31.12.2021	31.12.2020
Non current assets		
Intangible assets	1,041	8,256
Tangible assets	4,918	5,315
Non current financial assets	586	805
Total non-current assets	**6,549**	**14,375**
Current assets		
Current financial assets	128,432	115,946
Trade and other receivables	263	256
Income tax receivables	19	10
Other current assets	118	175
Cash and cash equivalents	25,467	11,673
Total current assets	**154,300**	**128,060**
Total assets	**160,849**	**142,435**

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

(in thousands of Euros)

Liabilities	31.12.2021	31.12.2020
Equity		
Issued capital	5,552	5,552
Additional paid in capital	120,607	120,607
Other reserves and conversion reserves	(11,001)	(12,460)
Net income for the year	6,456	2,119
Total Equity	**121,614**	**115,819**
Non current liabilities		
Non current provisions	755	713
Other non current liabilities	983	950
Total non-current liabilities	**1,739**	**1,662**
Current liabilities		
Current financial liabilities	34,761	23,918
Trade and other payables	2,618	930
Income tax payables	106	98
Other current liabilities	9	8
Total Current Liabilities	**37,495**	**24,954**
Total Liabilities	**160,849**	**142,435**

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

Statement of Profit & Loss	31.12.2021	31.12.2020
Operating revenues	2,425	2,517
Total operating revenues	**2,425**	**2,517**
Purchases	(938)	(698)
External expenses	(1,612)	(1,365)
Payroll expenses	(5,726)	(2,692)
Operating tax expenses	(5)	(16)
Depreciation, Amortization & Provisions	(7,990)	(3,349)
Current operating result	**(13,847)**	**(5,604)**
Other operating income	-	233
Other operating expenses	(8)	-
Operating result	**(13,855)**	**(5,371)**
Financial Income	23,931	18,691
Financial expenses	(2,911)	(10,980)
Financial Result	**21,020**	**7,711**
Income tax expense (-) / benefit (+)	(709)	(220)
Net result from continuing operations	**6,456**	**2,119**
Earnings per share (in Euros)	1.23	0.40
Diluted earnings per share (in Euros)	1.23	0.38
EBITDA	**(5,857)**	**(2,022)**

Statement of total comprehensive Income	31.12.2021	31.12.2020
Net income	6,456	2,119
Other comprehensive income, that will not be reclassified subsequently to profit or loss	333	(4,543)
Group Total Comprehensive income	**6,789**	**(2,423)**

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 01.01.2020	**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**
Situation at 01.01.2021	**5,552**	**123,277**	**(2,127)**	**(14,167)**	**3,283**	**115,819**	**(0)**	**115,819**
Net income	-	-	-	-	6,456	**6,456**	0	6,456
Other comprehensive income	-	-	-	333	-	**333**	(0)	333
Total comprehensive income	-	-	-	333	6,456	**6,789**	0	6,789
Capital decrease	-	-	-	-	-	**-**	-	-
Own Shares acquisition	-	-	(869)	-	-	**(869)**	-	(869)
Share based payments	-	-	-	-	(124)	**(124)**	-	(124)
Settlement in own share of share based payments	-	-	331	-	(331)	**-**	-	-
Other	-	-	-	-	(0)	**(0)**	(0)	(0)
Situation at 31.12.2021	**5,552**	**123,277**	**(2,665)**	**(13,834)**	**9,283**	**121,614**	**(0)**	**121,614**

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

2021 FINANCIAL YEAR

VELCAN Holdings

CONTENT

1. LEGAL INFORMATION

Name:	VELCAN HOLDINGS, the “Company”, (formerly known as VELCAN)
Legal Form:	Société Anonyme (Public Limited Company)
Registered office:	11 Avenue Guillaume L-1651 Luxembourg
Company Registration Number:	RCS Luxembourg, B 145.006
Constitution:	Company incorporated on 12 February 2009 by notarial deed of Maître Paul DECKER
Listing:	VELCAN 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 gain of financial year 2021 is mostly generated by the portfolio of financial assets. It amounts to EUR 12,076,794.37. The management is proposing following allocation:

	EUR
Profit or loss brought forward	(13,838,122.38)
Profit or loss for the financial year	12,075,590.62
Allocation to the legal reserve	-
Profit or loss carried forward	(1,762,531.76)
	===========

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
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 2021, 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 2021, 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, 28 April 2022

BDO Audit
Cabinet de révision agréé
represented by

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 from 01 **01/01/2021 to** 02 **31/12/2021**

(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	**145 101 772,31**	110	**146 574 166,13**
I. Intangible assets	1111		111	603,04	112	603,04
II. Tangible assets	1125		125	0.00	126	0.00
III. Financial assets	1135	3	135	145 101 169,27	136	146 573 563,09
D. Current assets	1151		151	**5 225 117,42**	152	**58 778 486,03**
I. Stocks	1153		153	0.00	154	0.00
II. Debtors	1163		163	54 708,91	164	43 659,79
a) becoming due and payable within one year	1203		203	54 708,91	204	43 659,79
b) becoming due and payable after more than one year	1205		205	0.00	206	0.00
III. Investments	1189	4	189	5 072 095,38	190	57 831 141,37
IV. Cash at bank and in hand	1197		197	98 313,13	198	903 684,87
E. **Prepayments**	1199		199	**50 909,51**	200	**47 074,16**
		TOTAL (ASSETS)	201	**150 377 799,24**	202	**205 399 726,32**

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	**123 888 277,47**	302	**111 812 686,85**
I. Subscribed capital	1303	5	303	5 552 320,00	304	5 552 320,00
II. Share premium account	1305	5	305	117 189 279,91	306	117 727 146,72
III Revaluation reserve	1307		307	0.00	308	0.00
IV. Reserves	1309	8	309	2 909 209,32	310	2 371 342,51
V. Profit or loss brought forward	1319		319	-13 838 122,38	320	-8 008 759,68
VI. Profit or loss for the financial year	1321		321	12 075 590,62	322	-5 829 362,70
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	**26 489 521,77**	436	**93 587 039,47**
a) becoming due and payable within one year	1453	9	453	26 489 521,77	454	93 587 039,47
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	**150 377 799,24**	406	**205 399 726,32**

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

Annual Accounts Helpdesk :

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

RCSL Nr. : B145006	Matricule : 2009.2202.802

ABRIDGED PROFIT AND LOSS ACCOUNT

Financial year from 01 **01/01/2021 to** 02 **31/12/2021**

(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	**-1 193 682,57**	652	**-1 457 991,43**
6. Staff costs	1605		605	**-13 791,25**	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	7	613	-13 791,25	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	**3 076 949,28**	716	**0.00**
a) derived from affiliated undertakings	1717		717	3 076 949,28	718	0.00
b) other income from participating interests	1719		719	0.00	720	0.00
10. Income from other investments and loans forming part of the fixed assets	1721		721	**35 965,28**	722	**1 699 946,68**
a) derived from affiliated undertakings	1723		723	0.00	724	339 324,40
b) other income not included under a)	1725		725	35 965,28	726	1 360 622,28
11. Other interest receivable and similar income	1727		727	**8 260 579,78**	728	**531 902,30**
a) derived from affiliated undertakings	1729		729	11 405,82	730	1 655,88
b) other interest and similar income	1731		731	8 249 173,96	732	530 246,42
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	**2 239 052,21**	666	**-3 851 745,30**
14. Interest payable and similar expenses	1627		627	**-334 483,67**	628	**-2 737 309,71**
a) concerning affiliated undertakings	1629		629	-33 865,93	630	-2 563 524,03
b) other interest and similar expenses	1631		631	-300 617,74	632	-173 785,68
15. Tax on profit or loss	1635		635	**0.00**	636	**-9 328,64**
16. Profit or loss after taxation	1667		667	**12 070 589,06**	668	**-5 824 526,10**
17. Other taxes not shown under items 1 to 16	1637		637	**5 001,56**	638	**-4 836,60**
18. Profit or loss for the financial year	1669		669	**12 075 590,62**	670	**-5 829 362,70**

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 assets. VELCAN HOLDINGS operates a hydro power plant in Brazil. Its shares are listed on the Euro MTF stock exchange, Luxembourg Stock Exchange. It also owns, to a lesser extent, unlisted 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

The annual accounts are prepared under the going concern assumption in accordance with Luxembourg legal and regulatory requirements and generally accepted accounting practices (GAAP). Following the entry into force of the new standardized chart of accounts on 1 January 2020, the annual accounts are prepared in accordance with this new standardized chart of accounts.

2.2. Foreign Currency Translation

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

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

2.3. Financial Assets

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

- Deposits are recorded at their nominal value.

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.

NOTES TO THE STATUTORY ANNUAL ACCOUNTS

2. ACCOUNTING PRINCIPLES (continued)

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 of January 1, 2021	150,082,316.91	6,497,863.17	10,000.00	156,590,180.08
Current year additions	6,497.80	334,000.12	0.00	340,497.92
Current year disposals/reductions/Reimbursements	0.00	0.00	0.00	0.00
Foreign currency impacts	0.00	11,404.61	0.00	11,404.61
Nominal value/Historical cost as of December 31, 2021	150,088,814.71	6,843,267.90	10,000.00	156,942,082.61
Value adjustments				
Accumulated depreciation as of January 1, 2021	-6,239,734.92	-3,776,882.07	0.00	-10,016,616.99
Current year allowance	0.00	-2,614,042.31	0.00	-2,614,042.31
Current year reversal	789,745.96	0.00	0.00	789,745.96
Foreign currency impacts	0.00	0.00	0.00	0.00
Accumulated depreciation as of December 31, 2021	-5,449,988.96	-6,390,924.38	0.00	-11,840,913.34
Net book value as of January 1, 2021	143,842,581.99	2,720,981.10	10,000.00	146,573,563.09
Net book value as of December 31, 2021	144,638,825.75	452,343.52	10,000.00	145,101,169.27

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/ functional currency	Percentage of holding as of 31/12/21	Last financial year end	Statutory' s profit/loss in local currency	Statutory' s net shareholder's equity 31/12/21 in local currency (*)	Net book value in VELCAN books as of 31/12/21 (EUR)
Velcan Holdings Mauritius Ltd	Mauritius/ EUR	100%	31/12/2021	4,858,167	137,619,115	133,500,891
Velcan Holdings Singapore Pte. Ltd	Singapore/ SGD	100%	31/12/2021	(83,078)**	3,241,611**	2,111,386
Rodeio Bonito Hidrelétrica LTDA.	Brazil/ BRL	99.99%	31/12/2021	(101,215)	22,594,905	9,020,320***
Velcan Desenvolvimento Energetico Do Brasil Ldta	Brazil/ BRL	99.99%	31/12/2021	(12,909)**	(6,890,145)**	1.00
VHSP PTE. Ltd.	Singapore / SGD	100%	31/12/2021	(188,971)	(178,971)	6,228****
Velcan Energy Holdings (Dubai) Ltd	UAE/ AED	100%	31/12/2020	*****	*****	*****

* The net income for the financial year 2021 is included in the net shareholder's equity
** Non audited
*** A loan (denominated in BRL) of EUR 452,344 (net of impairment) is booked in Velcan Holdings accounts of 2021 financial year
**** A debt of the same amount is payable to the company
***** Under voluntary liquidation

4. INVESTMENTS

As of 31 December 2021, the Company holds:

- 361,614 own shares, value of EUR 2,497,045.44;

- Brazilian government bonds for a total amount value of EUR 2,575,049.94.

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 2021	Opening subscribed capital	5 552 320	1.00 €	5,552,320.00
31 December 2021	Closing subscribed capital	5 552 320	1.00 €	5,552,320.00

As of 31 December 2021, 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.

5.2.1. 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 2021:

Reasons of purchases effected during 2021	Capital reduction by cancellation of purchased shares and future service of share ownership plans
Total number of shares purchased in 2021	93,941 shares
Nominal value of shares purchased in 2021	Eur 93,941 – Eur 1 nominal value per share
Percentage of capital bought back	1.69% based on the share capital as of 31/12/2021
Shares cancelled during 2021	Nil
Shares sold	Nil
Total price paid towards share buybacks in 2021	Eur 869,269
Total own shares owned as of 31/12/2021	361,614 shares
Percentage of capital held as of 31/12/2021	6.51%

NOTES TO THE STATUTORY ANNUAL ACCOUNTS

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 01/01/2021	314,023
Total number of shares purchased in 2021 (Buyback programs)	+ 93,941
Shares cancelled during 2021 (capital decrease)	NIL
Shares delivered as free shares (see note 7)	- 46,350
Owned as of 31/12/2021	361,614
Percentage of capital held as of 31/12/2020 (based on the share capital as of 31/12/2021)	6.51%

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 31 December 2021 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	12 000	12 000	EUR 10	23/04/2023
BSA2013-2	23/04/2013	8 000	8 000	EUR 21.4	23/04/2023

As of 31 December 2021 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 2021). 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 2021). As a result, the total number of voting rights in the Company, existing at 31 December 2020, is as follows: 9 630 868 votes.

NOTES TO THE STATUTORY ANNUAL ACCOUNTS

7. FREE SHARES AND SHARE BASED PAYMENTS

7.1 Free shares allocated during the year

No free share plans were allocated during 2021.

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 2021, the pending vesting of free shares under such plan is as follows:

	FY 2021	TOTAL
Vesting of Free Shares (in shares)	**1,475**	**1,475**
Of which distributed	-	-
Of which undistributed	1,475*	1,475*

* Distributed in January 2022

7.3 Expenses booked in accounts related to Free Shares:

A total expense of EUR 13,791.25 (2020: EUR 331,402.50) has been recognized in the gross profit or loss in 2021 corresponding to the 1,475 shares vested in 2021 and delivered in 2022 (see 7.2 above) booked at a unit cost of EUR 9.35.

8. RESERVES

8.1 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.

NOTES TO THE STATUTORY ANNUAL ACCOUNTS

8.2 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 2,497,045.44 (2020: 1,959,178.63) corresponding to the amount booked as Own shares in ''investments'' under current assets (see note 5.2 above for the detail of those acquisition).

9. CREDITORS

Creditors is mainly made up of:

- current accounts with wholly owned subsidiaries of the company (€ 25.9 m);
- short term overdraft facility granted by a bank of the Company (€ 0.5 m).

10. TAX RATE

The Company is fully taxable at a maximum rate of 24.94% (2020: 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.

11. OFF BALANCE SHEET COMMITMENTS

The Company had issued letter of support to an affiliated undertaking which could require it to provide financial support in the form of working capital contribution during the year 2021 in order that those affiliated undertakings continue to operate on a going-concern basis. This affiliated undertaking has gone under voluntary liquidation (The process is still ongoing but no additional working capital contribution has been required).

12. EMPLOYEES

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

NOTES TO THE STATUTORY ANNUAL ACCOUNTS

13. 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-19 pandemic and its impact on the financial markets, the Company started to take exposure to equity and commodities. The Company continued to diversify its financial portfolio across equities, gold and silver and commodities. The portfolio has then been transferred in early 2021 to a subsidiary of the Company during the year, enabling to secure a significant realized gain.

- 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 2021 and early 2022 and the Brazilian Currency is slowly recovering from its significant fall which occurred in 2020-2021.

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. However, the potential impacts of potential new Covid-19 variants or wave remain uncertain, including but not limited to, on global economic conditions, asset valuations, interest rate expectations and exchange rates.

14. SUBSEQUENT EVENTS

On 24 February 2022, The Russian Federation launched a full-scale invasion into Ukraine sovereign state. The potential impacts from the emerging Ukraine and Russian conflict remain uncertain, including but not limited to, on global economic conditions, asset valuations, interest rate expectations and exchange rates. Although the extent of these impacts cannot be assessed at this stage, such war may in particular impact the value of the equities and commodities investments held by the Company or its subsidiaries. At the date of approval of the accounts, no significant impact occurred. Other than this, there have been no events after the reporting date which would require any adjustment or disclosure to these financial statements.