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

FINANCIAL YEAR ENDED 31st DECEMBER 2023

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.

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

	31.12.2023	31.12.2022	Var %
§ Turnover	2.9	3.2	-8%
§ EBITDA	1.8	-2.7	NA%
§ Net result	0.5	8.2	-94%
§ Cash & Financial assets*	125	124	+0%
§ Cons. Equity	128	127	+1%

2. Main events of 2023

The financial portfolio value of the Group stayed flat in 2023. Despite several Fed rates hikes and bank failures in the spring, the US labor market and the US economy in general remained strong. The US stock market followed suit, mostly led by a narrowing number of high-tech giants. The rest of the world showed a more contrasted picture. China, mired in its real estate development sector crisis and continuous political scrutiny of its private sector, has witnessed low level of growth. China stock markets have posted a third consecutive decline, with additional pressure coming from substantial outflows of funds by international investors massive outflows. European markets have followed the US but on a limited scale justified by slowing economies. In Japan, the BOJ had not change course in its low interest rates policy as of 31st December 2023. The Japanese stock market showed strength. The year 2023 has also seen elections in Argentina with the newly elected presidency having a positive impact on Argentinian bonds held by the Group. The year has also seen rising geopolitical tensions, namely a new conflict in the Middle East, the ongoing war in Ukraine, increasing tensions over Taiwan and continuing threats by North Korea. With this current uncertain backdrop, the Group remained heavily positioned in cash, cash equivalents, and cash like commodities (mostly gold mining stocks). In 2023, gains made in gold mining, Japanese equities and European banks balanced the losses suffered in the Japanese Yen and in Chinese equities.

As of 31/12/2023, in percentage of the net assets, the portfolio is constituted of cash (45%), gold mining and silver linked securities (26%), and other equity long positions (26.8%). The balance is composed of equity short positions, BRL and INR Money Market funds, bonds and private equity (see full details in chart page 6). The total is more than 100% because of a small overdraft facility (less than -0.1%) and the net unrealized losses of opened positions on forward forex (-1%), which account negatively in the portfolio.

As of the end of the year 2023, the Group financial assets were exposed to the Japanese Yen (34% against 36.5% in December 2022) and the EURO (22.7% against 31.75% in Dec 2022). Exposure to the US Dollar was higher this year (16.6%, against -2%, excluding the overdraft facility, in December 2022).

This allocation strategy of the financial assets proved stable in 2023 despite a very volatile market conditions, the Group net financial instruments stayed at Eur 124.6 million, almost at same level as at end of 2022 with a financial result of EUR 65k as of 31/12/2023.

The Indian greenfield hydropower projects were suspended in September 2021 due to long lasting administrative impediments. Since then, the Group was looking for potential investors to take over the projects, and, despite unfavourable market conditions, could sold 2 out of the 3 projects of its cascade to a major Government of India owned hydropower player in August 2023. As the projects were fully impaired since the first half 2021, this transaction generated a profit of Euros 4.3m in the 2023 accounts. The Group keeps looking for a solution for the Pauk HEP.

The Rodeio Bonito plant power generation reached 50,757 MWh during 2023, against 56,159 MWh during 2022. An incident prevented the turbine no.1 from generating power from the 15th of October onwards. The turnover from sales of electricity amounted to EUR 2.9m or BRL 15.6 m. It was down by 8% when expressed in Euros and down by 9% when expressed in BRL relative to 2022 (EUR 3.2 m or BRL 17.2 m for 2022). In terms of rainfall and water discharge 2023 was similar to 2022 and below the historical values. The whole country has experimented the same phenomenon for several years now.

Share buyback programs were continued by Velcan Holdings during 2023 in order to provide liquidity to shareholders wishing to sell their shares. The share buyback program launched by the Board of Directors on 1st August 2022 ended on 31st December 2023, by expiry of its duration as initially determined by the Board of directors. During 2023, a total of 39,780 shares were bought back, for a total price of Eur 481,772.88. Apart from that, 9000 shares were bought back from a previous employee of the group for a price of Eur 113,850 and 13,333 shares were delivered as free shares to employees of the Group. As during the previous years, the shares were bought back in view of their cancellation or to cover for new grants of free shares. As of 31st December 2023, Velcan Holdings held 698,150 own shares representing 12.57% of its share capital. A new program was initiated on 15th January 2024 with the aim to buyback 300,000 shares.

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 worldwide equity, gold related assets, commodities, forex, direct lending and private equity investments.

The year 2023 has seen a high level of market uncertainty and persistent rate hikes by the FED due to a sticky inflation. The Group has mainly maintained its gold related position in 2023. The Group then mainly reweighed its portfolio of Japanese and Asian stocks. Financial result excluding Forex for the year has been a gain of EUR 6.6 m and the Forex impact has been a loss of EUR 6.5m.

The evolution of the portfolio allocation is detailed below.

FINANCIAL INSTRUMENTS	Value 31.12.2023 in mEUR	Weight (% of net assets)	Value 31.12.2022 in mEUR	Weight (% of net assets)
Cash and cash equivalent	55.5	45%	50.6	41%
US Treasury Bill	1.8	1%	5.8	5%
Money Market Funds in BRl and INR	5.2	4%	3.5	3%
Unrealized Gains on open Forward Forex	0.0	0%	0.1	0%
Bonds and interests receivable	6.7	5%	6.4	5%
Gold and silver related stocks	26.0	21%	25.2	20%
Equity Long positions (EM, EU, USA, Japan)	26.8	22%	35.4	28%
Equity Short and dividens receivable	3.1	2%	3.9	3%
Private Equity & Lending	0.4	0%	0.2	0%
Total assets (A)	**125.5**	101%	**131**	105%
Bank Overdraft and short-term loans	-0.0	0%	-1.3	-1%
Unrealized losses on open forward forex	-0.8	-1%	-5.4	-4%
Total in Financial liabilities (L)	**-0.9**	-1%	**-6.6**	5%
Net Total (A+L)	**124.6**	100%	**124.4**	100%

The equity portfolio, including gold and silver related instruments, is deployed across a diversified array of 50 different issuers and ETFs. The gold position, which the Group considers to be equivalent to a separate currency, was held through 4 positions. The investment in gold mining companies through the VanEck Gold Miners ETF being the most significant, valued EUR 18.7m as of 31.12.2023. In addition, the Group has smaller holdings in specific gold mining companies.

In H1 of 2023, the Group divested its position in two banking stocks namely BANCO BILBAO VIZCAYA ARGENTARIA SA and BANCO SANTANDER SA to benefit from the rally resulting, in a financial gain of EUR 1.56m. In H2 of the year, the Group increased its exposure to Japan Hotel Reit Investment Corp.

As to non-gold related equities, 5 positions stand above EUR 2.5m: iShares Silver Trust, Ping An, Tencent, Citigroup and Japan Hotel Reit. The Group also holds a S&P Short position of EUR 3.0m.

As of 31st December 2023, the Group's equity investment is mostly exposed to U.S, Chinese, European and Japanese issuers. The Group capitalized on investments in the banking sector selling its positions in 2023 as these assets had rebounded strongly from their initial purchase price, mostly in 2020. The performance of these shares was between +65% to +146% compared to their initial cost.

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 the year, this investment is approximately even.

The Group 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 1 year. At period closing date the lines of the Group are with the following issuers:

a) EUR 2.0 m exposure to the republic of Argentina.
b) above EUR 4.5 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 2023. It is to note however that with the outcome of the Presidential Election this year in Argentina, the rally on the bonds resulted in a financial result of Eur 0.49m. The Group had already significantly reduced the size of the bond portfolio as of the end of the year 2021. In 2023, the Group has maintained its bond holdings.

The Group continues to monitor potential rate changes from the U.S Federal Reserve, the Bank of England, the European Central Bank and the Bank of Japan. The ongoing geopolitical tensions may result in further market uncertainty. The FED has paused on its aggressive approach to monetary tightening and the market sentiment is that rates should start to come down in 2024. That said, the timing of these decisions when it comes to dealing with inflation creates a lot of unknowns on possible market levels.

As of the end of 2023, the Group private investments sit at EUR 0.4m, which represent only private equity / venture capital. In 2023, the Group has kept prospecting private investment opportunities to increase the share of this segment in its portfolio, but without finding favorable valuations and environment. As at 31/12/2023, the Group does not hold any secured lending investments.

The Group has, with the settlement of Forward Forex contracts, increased its financial exposure to the USD and maintained its exposure to the Euro and the Japanese Yen. As of the end of the year 2023, the Group net financial assets and liabilities were mostly exposed to the following currencies:

- the Japanese Yen: 34%,
- the Euro: 23%
- the U.S Dollar: 17%
- the Hong Kong Dollar: 8%,
- the CNH: 8%
- the CHF 4%

- the Singapore Dollar: 1 %

The Group also has EUR 5.2 m of investments in Money Market funds in Brazil and India (proceeds from sale of Indian projects have been placed in Money Market funds) and has also invested in short term US treasury bill with a EUR 1.8 m exposure at the end of 2023.

This year, the Group has significantly reduced its leverage (bank overdraft) which is now at of EUR -41k. The net cash position of the group as of 31/12/23 is EUR 55.5 m (cash and cash equivalents of EUR 55 493k and a bank overdraft of EUR 41k secured on the listed financial assets of the Group). Most of the Forward Forex contracts held by the Group settled in 2023. The Group remaining forward Forex contracts had a Mark-to-Market value of EUR -0.8m as at 31.12.2023 (unrealized losses booked in financial liabilities of the Group).

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

On 15 October 2023, turbine #1 received a safety stop command due to high levels of vibration but both the turbine brake system and the floodgate closure failed. This resulted in the unit being damaged by a foreign object. The full extent of the damages is still being assessed, and maintenance and repairs are still ongoing on this report’s date. The insurance policy has been activated.

Despite the incident, the electricity generation of 50,757 MWh during 2023 (against 56,159 MWh during 2022) was decent, but was still below Rodeio Bonito’s level of ensured energy[1].

The operation and maintenance of Rodeio Bonito were satisfactory till the damage on turbine #1, which caused a technical availability of only 87.57% during 2023, compared to 98.7% for 2022.

The extensive rain deficit for several consecutive years is still weighing on Brazil’s hydropower sector and Brazil power sector in general and the Group remains cautious on its Brazilian plant performance in the future despite a decent 2023 FY.

The MRE system (Energy Reallocation Mechanism) was still in deficit in 2023, with a steady impact of consumed purchased for the Rodeio Bonito plant (EUR -0.2m in 2023 compared to EUR -0.2m in 2022).

The turnover from sales of electricity by the Rodeio Bonito Hydro Power Plant (HPP) in Brazil amounted to EUR 2.9m or BRL 15.6 m. It was down by 8% when expressed in Euros and down by 9% when expressed in BRL relative to 2022 (EUR 3.2 m or BRL 17.2 m for 2022). The EUR/BRL average rate was quite stable during FY 2023 (appreciation of +1%) which explains the small difference in terms of percentage between the 2023 and 2022 comparative figures in BRL and EUR.

[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.

The EBITDA of the plant was therefore down to BRL 11.1m in 2023 against BRL 13.0m in 2022 (-15%) mainly because of a lower turnover and higher expenses. When expressed in EUR, it was down by 14% (EUR 2.4m in 2023 VS EUR 2.1m in 2022) because of the slightly better average EUR/BRL rate as seen above.

3.3. Hydropower Projects in India

Velcan Holdings fully divested its Heo – Tato-1 tandem of hydropower projects (2 hydropower projects totaling 426 MW located in the state of Arunachal Pradesh, India), taken over by a major utility owned by the Government of India.

These projects were the 2 largest projects of the Group's cascade of 3 hydropower projects. Following this sale, the Group is left with the third project of the said cascade, the Pauk HEP (145 MW), its last greenfield hydropower project.

The entire cascade development was suspended in September 2021, since the Government of Arunachal Pradesh (GoAP) had refused to consider vital amendments to the corresponding concession agreements. This came on top of the numerous deadlocks encountered by the projects during the past years regarding essential development activities which mostly depended on the Governments (central and local), such as the delays in the road infrastructure, the inability of the GoAP to make significant progress in the land acquisition and the inability of electricity distribution companies to sign long term bankable power purchase agreements.

The takeover by a public utility appears as a logical outcome in the above-mentioned distressed context, where the sector environment proved to be extremely unfavorable to private developers. Given the very few large projects that were taken over against a payment – and by the Government of India – this transaction illustrated the quality of the projects.

The buyer of the projects refunded a significant part of the project development expenses incurred by the Group in India, although costs incurred out of India could not be recovered. The projects were fully impaired since the first half 2021 and this transaction therefore generated a profit of Euros 4.3m in the 2023 accounts.

The Group is working on the potential sale of the Pauk HEP. It is a different scenario from Heo and Tato HEPs which were slightly ahead of Pauk HEP in terms of permits obtained at CEA level.

4. Unaudited and condensed financial statements - comments

2.1 Unaudited and condensed financial statements

A. Income Statement

Turnover amounted to EUR 2.9m (against EUR 3.2m in 2022, an 8% decrease), and is fully related to electricity sales in Brazil.

The current operating result amounted to EUR -3.0m (against -3.2 in 2022) with below main variations:

- Payments by Velcan for the MRE (Energy Reallocation Mechanism) were of EUR 0.1m in 2023 vs. EUR 0.2m in 2022.

- Depreciation and amortization of tangible and intangible assets of Rodeio Bonito plant amounted to EUR 0.6m (like in 2022)
- Staff expenses amounted to EUR 1.4m in 2023 vs EUR 1.5m in 2022.
- External expenses are totaling EUR 3.4m in 2023 vs EUR 4.2m in 2022 with a decrease as detailed below:

  - EUR 0.6m in 2023 VS 0.5m in 2022 of expenses related to Rodeio Bonito operation
  - EUR 0.0m in 2023 VS 0.1m in 2022 of rental expenses
  - EUR 2.8m in 2023 VS EUR 3.5m of investment management, legal, accounting, consultancy and bank fees
  - EUR 0.1m in 2023 VS EUR 0.1m in 2022 of insurance premiums
  - EUR 0.1m in 2023 VS EUR 0.1m in 2022 of other various expenses: travel, entertainment, maintenance and other expenses

In thousands of euros	31.12.2023	31.12.2022
Statutory auditor fees (BDO Luxembourg)	27.5	27.5
Other Annual accounts auditor fees	9.5	29.5
Total	**37**	**57**

Non-current operating result amounted to EUR 4.3m in 2023 VS NIL in 2022 due to the sale of two Indian hydroelectric projects (see section 3.3 above).

Net Financial Gain for the group amounted to EUR 0.1m in 2023 (see section 3.1 above), compared to EUR 12.2m in 2022.

Income tax expense amounted to EUR -0.8m in 2023 vs EUR -0.6m in 2022.

The net result, Group share, was EUR 0.5m in 2023 FY compared to EUR 8.2m in 2023. The Group's EBITDA rose to EUR 1.8m compared to EUR -2.7m in 2022 due to the sale of the Indian projects.

The appreciation of BRL currency (+5%) when compared to Euro, at 2023 closing date had an impact slightly positive on the other comprehensive income, as the Group's main tangible and intangible investments have been made in local currency like last year (EUR 0.6m in 2023 against EUR 0.2m in 2022). The total comprehensive income amounts to a gain of EUR 1.1m in 2023 against a gain of EUR 8.4m in 2022.

B. Balance sheet

Assets:

Net intangible assets stand at EUR 1.0m in 2023 versus EUR 1.1m in 2022, because of an amortization of -0.1m on Rodeio Bonito's intangible assets and the appreciation of the Brazilian currency and its slightly positive effect on intangible assets value converted in Euro.

Net tangible assets stand at 4.9m in 2023 and decreased by EUR 0.2m only between 2022 and 2023, mainly because of the appreciation of the Brazilian currency and despite the accounting linear depreciation of the Rodeio Bonito plant (EUR -0.5m).

Cash, cash equivalent assets and financial assets (net of Current financial liabilities) have increased from EUR 124.4m in 2022 to EUR 124.6m in 2023 (+0.1%) due to the sale of Indian projects, despite the steady financial result and the share buyback programs (EUR -0.6m). Financial assets and liabilities are detailed in part 3.1.

Finally total assets decreased by 4.3% during 2023 FY (down by EUR 5.9 m), mostly because of the decrease in financial liabilities (EUR -5.7m) described in below as part of the "liabilities".

At 31st December 2023, the Group holds 698,150 own shares (2022: 662,703). At year end closing price of EUR 12.8 those own shares have a market value of EUR 8.9m. As per IFRS rules, this amount is not accounted in assets of the Group but reduced its shareholder's liabilities at the historical purchase price (EUR 8.68 per own share on average).

Liabilities:

Non-current provisions and other non-current liabilities are steady and amount to EUR 0.7m and EUR 0.9m at 31 December 2023 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)..

Trade and other payables amount to EUR 1.0m vs EUR 1.8m in 2022, and mostly relates to consulting fees, bonuses and success fees payable at year end.

Current financial liabilities of EUR 0.9 m in 2023 (vs 6.6 in 2022). They relate mostly to:

- EUR 0.0m or EUR 41k (2022: EUR 1.3m), of overdraft facilities granted by brokerage firms or banks to the Group to leverage its listed investments trading activities. Under this facility, securities held in the trading account were used as a security to borrow money. This facility has enabled the Group to leverage its investments and maximize its profits during previous financial years. In a context of rising interest rates, the Group has reduced its leverage exposure due to the overdraft facilities.
- EUR 0.8m or EUR 833k (2022: EUR 5.4m) of net losses on Forward forex open positions due to the closing of several operations during 2023 financial year.

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 -6.1m at 31st December 2023 versus EUR -5.6m at 31st December 2022 following the share buyback programs (EUR -0.6m) and the use of shares (EUR +0.1m) to cover share-based payments to staff (Part III, notes 4, 5 and 7).

With a consolidated equity of EUR 128.1m (+EUR 0.6m compared to 2022), the Group still has a sound financial position (cash position + financial assets – financial liabilities = EUR 124.6m).

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.

6. Report on share buybacks

Reasons of purchases effected during 2023	Capital reduction by cancellation of purchased shares and future service of share ownership plans
Total number of shares purchased in 2023	48,780 shares[2]
Nominal value of shares purchased in 2023	Eur 48,780– Eur 1 nominal value per share
Percentage of capital bought back	0.88% based on the share capital as of 31/12/2023
Shares cancelled during 2023	Nil
Shares delivered to employees in 2023	13,333
Total price paid towards share buybacks in 2023	Eur 595 622,88 € (including 113,850 paid to buyback former employee's shares)
Total own shares owned as of 31/12/2023	698 150shares
Percentage of capital held as of 31/12/2023	12.57%

The purchases made in 2023 were part of a program initiated on 1st August 2022, which ended on 31st December 2023, by expiry of its duration as determined initially by the Board of directors.

During 2023, a total of 39,780 shares were bought back, for a total price of Eur 481,772.88. As of 31st December 2023, Velcan Holdings held 698,150 own shares representing 12.57% of its share capital. A new program was initiated on 15th January 2024 with the aim to buyback 300,000 shares.

The purpose of the buyback programs 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.

9,000 shares were also purchased to a former employee of the Group for Euros 113,850 while 13,333 shares were delivered to employees of the group, and a provision of 0.2m was made in the statutory accounts for 2023 free shares deliveries due in 2024.

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

[2] Including direct purchase of 9000 shares to a former employee

7. Events subsequent to 31st December 2023

No events subsequent to the 31st December 2023 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 3.1). 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 or banks 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 2023 FY balance sheet compared to 2022 FY balance sheet is as follows:

Currency	2023	2022
Euros (EUR)	21%	30%
US Dollars (USD)	16%	-3%
Brazilian Reals (BRL)	6%	8%
Indian Rupee (INR)	2%	-1%
Singapore Dollar (SGD)	1%	7%
Japanese Yen (JPY)	33%	36%
British Pound (GBP)	0%	3%
Hong Kong Dollar (HKD)	7%	10%
Chinese offshore yuan (CNH)	8%	9%
Swiss Franc (CHF)	4%	0%
Others	2%	1%

As of 31st December 2023,

- the USD balance sheet net monetary exposure became positive 16% (VS -3% in 2022)
- 33% of the net assets are denominated in JPY (VS 36% in 2022)
- 7% of the net assets are denominated in HKD (VS 10% in 2022)

- 1% of the net assets are denominated in SGD (VS 7% in 2022)
- 8% of the net assets are denominated in Chinese offshore yuan (VS 9% in 2022)
- 6% of the net assets are denominated in BRL (VS 8% in 2022)

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 but more sensitive to JPY variation.

The Group's balance sheet is also 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 2023, no hedging has been taken on the Property risk nor on risk of conversion of past or future income. Most of the forward forex contracts held by the group settled in 2023 resulting in a realized FX loss of EUR 1.1m for the year 2023. Only one USD/EUR forward forex contract was held as at EOY 2023 representing a fair value gain of EUR 301k relative to the EOY 2022 valuation of EUR -1.1m.

- 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 and MM Funds. The Group is thus less directly exposed than before to an interest rate risk. But interest rate levels have a significant impact on market levels and can hence impact the financial result significantly. The Group may lose money on its listed corporate and sovereign bonds if short-term or long-term interest rates rise significantly or otherwise change in a manner not anticipated by the Group. However, the Group is also exposed to interest rate because of investments in bank deposits (cash equivalent)

The total fair value of interest-rate sensitive financial instruments as of 31 December 2023 amounts to EUR 32.5 m out of which:

- EUR 5.2 m relates to Brazilian and Indian MM Funds
- EUR 18.8 m relates to certificate of deposits with banks
- EUR 6.7 m relates to Bonds
- EUR 1.8 m relates to US short term treasury bills

- 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 (US T Bills excepted) as on 31/12/2023, the group is mainly exposed to issuers in the BB and CCC ratings (as defined by Standard's and Poor Global Ratings, "SP"). The main credit risks with the banks and financial intermediaries of the Group are with Interactive Brokers (36m EUR), DBS Bank (19.2m EUR) and UBS bank (8.5m EUR in bonds, US T Bills & cash and 0.83m on the FFX contract).

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 or some of the Group's banks or financial intermediaries' 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 55.9m, the MM Funds exposure amounts to EUR 5.2m while the listed bond exposure amounts to EUR 6.7m as of 31/12/2023 and the US T bill exposure amounts to EUR 1.8m. 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.

- Liquidity risk

The Group also has invested in private equity, although at much lower level. One of the risks in this sector could be the difficulty to find a buyer. However, this risk is limited as the exposure amounts to EUR 0.4m in 31/12/2023.

- 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[3] which mutualized the hydrological risk. However, in case of important nationwide drought as seen in Brazil in 2017, 2018, 2020 and 2021, the Plant is required to make important payments to the system. 2022 and 2023 also recorded levels of precipitations lower than historical records, resulting in a deficit of the MRE. 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. This case happened in the end of 2023 with Rodeio Bonito dam, as one turbine had to be stopped in October 2023 (see details under section 3.2;
- 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.

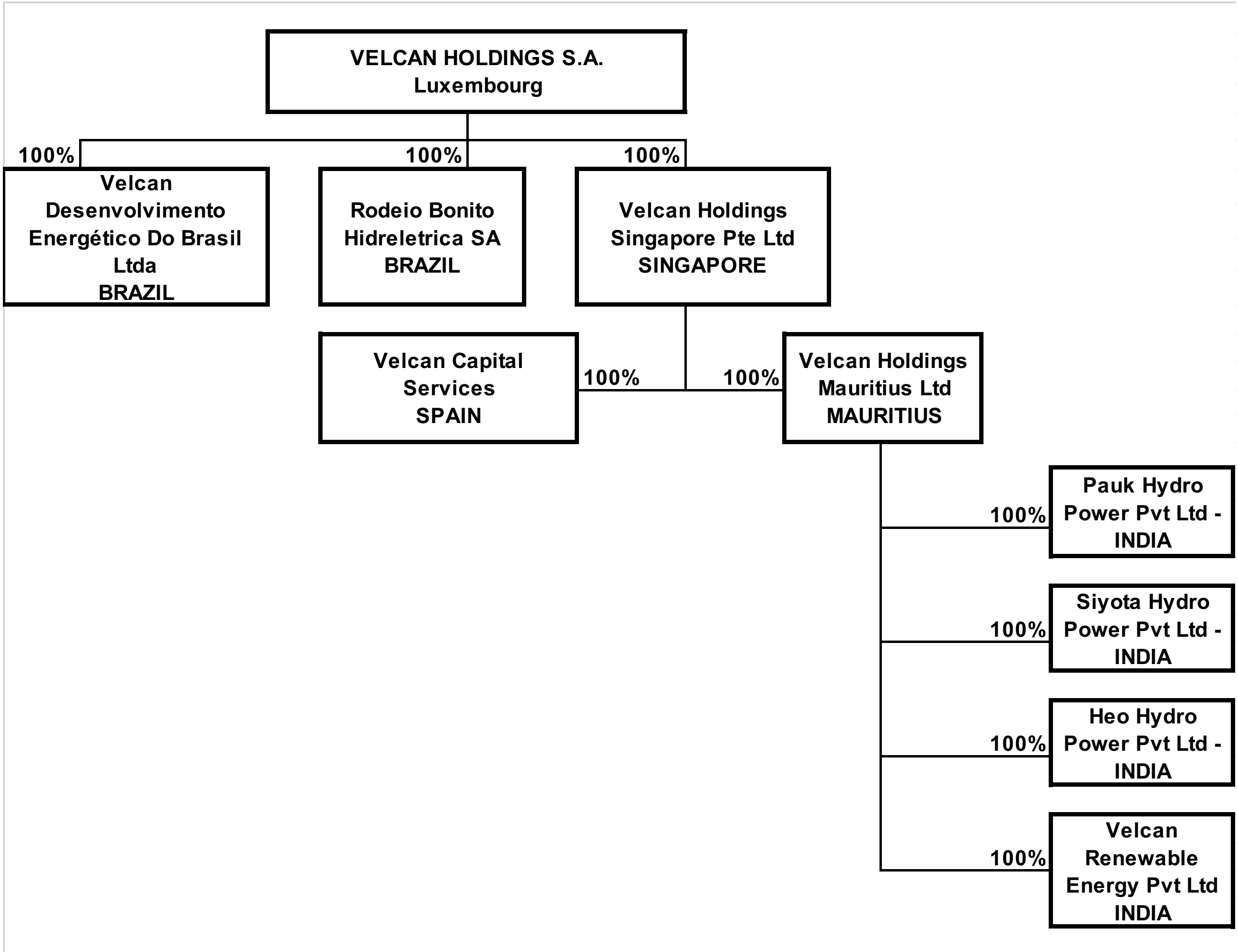
Environmental risk (e.g. flood caused by a dam breaking or the impact of the reservoir on the fauna and flora) is generally not covered by insurance companies, whether it is related to an engineering

[3] 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.

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 2023, Velcan Holdings SA, the parent company of the Group, which is based in Luxembourg, controls 9 companies, direct or indirect subsidiaries, located in 6 countries: India, Brazil, Luxembourg, Mauritius, Singapore and Spain.

II. NON-AUDITED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(in thousands of Euros)

Assets	31.12.2023	31.12.2022
Non current assets		
Intangible assets	1 032	1 071
Tangible assets	4 919	5 073
Non current financial assets	409	209
Total non-current assets	**6 374**	**6 356**
Current assets		
Current financial assets	69 563	80 273
Trade and other receivables	159	325
Income tax receivables	11	6
Other current assets	116	130
Cash and cash equivalents	55 495	50 574
Total current assets	**125 344**	**131 308**
Total assets	**131 718**	**137 664**

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

(in thousands of Euros)

Liabilities	31.12.2023	31.12.2022
Equity		
Issued capital	5 552	5 552
Additional paid in capital	120 607	120 607
Other reserves and conversion reserves	1 418	(6 925)
Net income for the year	533	8 226
Total Equity	**128 110**	**127 460**
Non current liabilities		
Non current provisions	697	723
Other non current liabilities	907	941
Total non-current liabilities	**1 604**	**1 663**
Current liabilities		
Current financial liabilities	875	6 622
Trade and other payables	963	1 808
Income tax payables	166	108
Other current liabilities	0	3
Total Current Liabilities	**2 004**	**8 541**
Total Liabilities	**131 718**	**137 664**

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

Statement of Profit & Loss	31.12.2023	31.12.2022
Operating revenues	2 890	3 157
Total operating revenues	**2 890**	**3 157**
Purchases	(126)	(163)
External expenses	(3 393)	(4 172)
Payroll expenses	(1 382)	(1 504)
Operating tax expenses	(467)	(5)
Depreciation, Amortization & Provisions	(576)	(562)
Current operating result	**(3 054)**	**(3 249)**
Other operating income	4 320	11
Operating result	**1 266**	**(3 238)**
Financial Income	7 592	21 003
Financial expenses	(7 527)	(8 902)
Financial Result	**65**	**12 102**
Income tax expense (-) / benefit (+)	(798)	(638)
Net result from continuing operations	**533**	**8 226**
Earnings per share (in Euros)	0,11	1,64
Diluted earnings per share (in Euros)	0,11	1,63
EBITDA	**1 842**	**(2 677)**

Statement of total comprehensive Income	31.12.2023	31.12.2022
Net income	533	8 226
Other comprehensive income, that will not be reclassified subsequently to profit or loss	592	177
Total Comprehensive Income	**1 125**	**8 402**
thereof attributable to non-controlling interests	(0)	(0)
Group Total Comprehensive income	**1 125**	**8 402**

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 01.01.2022	**5 552**	**120 607**	**(2 665)**	**(11 164)**	**9 283**	**121 614**	**(0)**	**121 614**
Net income	-	-	-	-	8 226	**8 226**	0	8 226
Other comprehensive income	-	-	-	177	-	**177**	(0)	177
Total comprehensive income	-	-	-	177	8 226	**8 402**	0	8 402
Capital decrease	-	-	-	-	-	**-**	-	-
Own Shares acquisition	-	-	(2 953)	-	-	**(2 953)**	-	(2 953)
Share based payments	-	-	-	-	397	**397**	-	397
Settlement in own share of share based payments	-	-	14	-	(14)	**-**	-	-
Other	-	-	-	-	(0)	**(0)**	(0)	(0)
Situation at 31.12.2022	**5 552**	**120 607**	**(5 604)**	**(10 987)**	**17 892**	**127 460**	**(0)**	**127 460**
Situation at 01.01.2023	**5 552**	**120 607**	**(5 604)**	**(10 987)**	**17 892**	**127 460**	**(0)**	**127 460**
Net income	-	-	-	-	533	**533**	0	533
Other comprehensive income	-	-	-	592	-	**592**	0	592
Total comprehensive income	-	-	-	592	533	**1 125**	0	1 125
Capital decrease	-	0	(0)	-	-	**-**	-	-
Own Shares acquisition	-	-	(596)	-	140	**(456)**	-	(456)
Share based payments	-	-	-	-	(21)	**(21)**	-	(21)
Settlement in own share of share based payments	-	-	140	-	(140)	**-**	-	-
Other	-	-	-	-	1	**1**	(0)	1
Situation at 31.12.2023	**5 552**	**120 607**	**(6 059)**	**(10 396)**	**18 405**	**128 110**	**(0)**	**128 110**

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. 9.

III. AUDITED STATUTORY FINANCIAL STATEMENT

VELCAN HOLDINGS

(Formerly known as VELCAN)

Société Anonyme

RCS Luxembourg B145.006

REPORT OF THE REVISEUR D'ENTREPRISES AGREE
AND ANNUAL ACCOUNTS

2023 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, carrer de Balmes, 206, 08006 Barcelona, Director Mr. Antoine DECITRE, Flat 3, 81 Duke Street, W1K5PE, London, 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 2023 amounts to EUR 785,161.11. The management is proposing following allocation:

	EUR
Profit or loss brought forward	5,885,596.07
Profit or loss for the financial year	785,161.11
Allocation to the legal reserve	0
Profit or loss carried forward	6,670,757.18
	===========

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

For the Board of Directors

BDO

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
Société Anonyme
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 2023 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 2023, 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, 26 April 2024

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 **01/01/2023 to** 02 **31/12/2023**

(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	**126 448 977,89**	110	**153 298 937,51**
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	126 448 374,85	136	153 298 334,47
D. Current assets	1151		151	**6 360 853,71**	152	**6 061 399,31**
I. Stocks	1153		153	0.00	154	0.00
II. Debtors	1163		163	353 304,11	164	55 351,00
a) becoming due and payable within one year	1203		203	353 304,11	204	55 351,00
b) becoming due and payable after more than one year	1205		205	0.00	206	0.00
III. Investments	1189	4	189	5 891 724,28	190	5 436 097,90
IV. Cash at bank and in hand	1197		197	115 825,32	198	569 950,41
E. **Prepayments**	1199		199	**60 904,03**	200	**57 429,57**
		TOTAL (ASSETS)	201	**132 870 735,63**	202	**159 417 766,39**

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	**132 464 634,53**	302	**131 679 473,42**
I. Subscribed capital	1303	5	303	5 552 320,00	304	5 552 320,00
II. Share premium account	1305	5	305	113 794 601,07	306	114 250 227,45
III Revaluation reserve	1307		307	0.00	308	0.00
IV. Reserves	1309	8	309	6 446 956,28	310	5 848 261,78
V. Profit or loss brought forward	1319		319	5 885 596,07	320	-1 762 531,76
VI. Profit or loss for the financial year	1321		321	785 161,11	322	7 791 195,95
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	**406 101,10**	436	**27 738 292,97**
a) becoming due and payable within one year	1453	9	453	406 101,10	454	27 738 292,97
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	**132 870 735,63**	406	**159 417 766,39**

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 **01/01/2023 to** 02 **31/12/2023**

(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	**-602 733,86**	652	**-467 913,61**
6. Staff costs	1605		605	**-170 672,20**	606	**-139 996,50**
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	-170 672,20	614	-139 996,50
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

VELCAN Holdings

RCSL Nr. : B145006	Matricule : 2009.2202.802

		Reference(s)		Current year		Previous year
9. Income from participating interests	1715		715	**1 651 648,90**	716	**4 900 109,12**
a) derived from affiliated undertakings	1717		717	1 651 648,90	718	4 900 109,12
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	**417 517,71**	722	**445 899,68**
a) derived from affiliated undertakings	1723		723	417 517,71	724	418 444,40
b) other income not included under a)	1725		725	0.00	726	27 455,28
11. Other interest receivable and similar income	1727		727	**18 322,90**	728	**1 258 374,04**
a) derived from affiliated undertakings	1729		729	17 975,54	730	804 073,48
b) other interest and similar income	1731		731	347,36	732	454 300,56
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	**527 349,08**	666	**7 258 246,48**
14. Interest payable and similar expenses	1627		627	**-590 246,72**	628	**-5 453 177,59**
a) concerning affiliated undertakings	1629		629	-590 218,47	630	-5 389 120,06
b) other interest and similar expenses	1631		631	-28,25	632	-64 057,53
15. Tax on profit or loss	1635		635	**0.00**	636	**0.00**
16. Profit or loss after taxation	1667		667	**1 251 185,81**	668	**7 801 541,62**
17. Other taxes not shown under items 1 to 16	1637		637	**-466 024,70**	638	**-10 345,67**
18. Profit or loss for the financial year	1669		669	**785 161,11**	670	**7 791 195,95**

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. One of VELCAN HOLDINGS' subsidiary operates a hydro power plant in Brazil. VELCAN HOLDINGS shares are listed on the Euro MTF stock exchange, Luxembourg Stock Exchange. The Group also owns, to a lesser extent, unlisted investments.

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

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. The annual accounts are prepared under the going concern assumption in accordance with Luxembourg legal and regulatory requirements and generally accepted accounting practices (GAAP). The geopolitical environment does not have a direct effect on the Company's operations, but may affect the operations and / or assets of its subsidiaires. In particular, the portfolio of financial assets may be subject to unforeseen variations and losses due to unstable geopolitical situation affecting the global financial markets.

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. ACCOUNTING PRINCIPLES (Continued)

2.5. Cash

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

2.6. Debts

Debts are recorded at their nominal value.

2.7. 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 January 1, 2023	149 811 543,85	8 059 457,48	10 000,00	157 881 001,33
Current year additions	1 800 000,00	417 517,71	0,00	2 217 517,71
Current year disposals/reductions/Reimbursements	-26 580 455,00	-3 014 318,01	0,00	-29 594 773,01
Foreign currency impacts	0,00	483 712,03	0,00	483 712,03
Nominal value/Historical cost as at December 31, 2023	125 031 088,85	5 946 369,21	10 000,00	130 987 458,06
Value adjustments				
Accumulated depreciation as at January 1, 2023	0,00	-4 572 666,86	-10 000,00	-4 582 666,86
Current year allowance	0,00	0,00	0,00	0,00
Transfer	-3 421 473,62	3 421 473,62		0,00
Current year reversal	0,00	103 070,50	0,00	103 070,50
Foreign currency impacts	0,00	-59 486,85	0,00	-59 486,85
Accumulated depreciation as at December 31, 2023	-3 421 473,62	-1 107 609,59	-10 000,00	-4 539 083,21
Net book value as of January 1, 2023	149 811 543,85	3 486 790,62	0,00	153 298 334,47
Net book value as of December 31, 2023	121 609 615,23	4 838 759,62	0,00	126 448 374,85

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 31/12/23	Last financial year end	Statutory' s profit/loss in local currency	Statutory' s net shareholder's equity 31/12/23 in local currency (*)	Net book value in VELCAN books as at 31/12/23 (EUR)
Velcan Holdings Singapore Pte. Ltd	Singapore/ EUR	100%	31/12/2023	7,801,659	120,144,541	116,010,768
Rodeio Bonito Hidrelétrica LTDA.	Brazil/ BRL	100%	31/12/2023	7,881,361	29 989 099	5,598,846
Velcan Desenvolvimento Energetico Do Brasil Ldta	Brazil/ BRL	100%	31/12/2023	(600) **	(6,890,745) **	1.00

* The net income for the financial year 2023 is included in the net shareholder's equity
** Non audited

Main movements on financial assets in 2023:

On 28 July 2023, there has been a significant capital reduction of EUR 26,580,455 in the Velcan Holdings Singapore Pte. Ltd subsidiary by the way of compensation against the payable to the same subsidiary.

On 3 November, there has been a partial repayment of loan of BRL 16 m from Rodeio Bonito Hidrelétrica LTDA (EUR 3 m).

On 7 December, there has been a capital increase of EUR 1.8 m in the Velcan Holdings Singapore Pte. Ltd subsidiary.

4. INVESTMENTS

As at 31 December 2023, the Company holds 698,150 own shares (2022: 662.703 own shares), for a total purchase value of EUR 5,891,724.28 (2022: 5,436,097.90).

5. SHARE CAPITAL

5.1. Subscribed share capital

Date	Description	Number of shares	Nominal value per share	Subscribed capital - EUR
1 January 2023	Opening subscribed capital	5,552,320	1.00 €	5,552,320.00
31 December 2023	Closing subscribed capital	5,552,320	1.00 €	5,552,320.00

As at 31 December 2023, 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 2023:

Reasons of purchases effected during 2023	Capital reduction by cancellation of purchased shares and future service of share ownership plans
Total number of shares purchased in 2023	48,780 shares
Nominal value of shares purchased in 2023	EUR 48,780 – EUR 1 nominal value per share
Percentage of capital bought back	0.88% based on the share capital as of 31/12/2023
Shares cancelled during 2023	Nil
Shares delivered to employees in 2023	13,333
Total price paid towards share buybacks in 2023	EUR 595,622.88 (including 113,850 paid to buyback employee's free shares)
Total value of free shares delivered to employees	EUR 139,996.50
Total own shares owned as of 31/12/2023	698,150 shares
Percentage of capital held as of 31/12/2023	12.57%

5. SHARE CAPITAL (Continued)

5.2.2. Summary of own shares owned:

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

Owned as of 01/01/2023	662,703
Total number of shares purchased in 2023 (Buyback programs)	+ 39,780
Shares cancelled during 2023 (capital decrease)	NIL
Shares purchased from employees (or former employees)	+ 9,000
Shares delivered as free shares (see note 7)	- 13,333
Owned as of 31/12/2023	698,150
Percentage of capital held as of 31/12/2023 (based on the share capital as of 31/12/2023)	12.57%

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 2023 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	31/12/2025
BSA2013-2	23/04/2013	8,000	8,000	EUR 21.40	31/12/2025

As of the 31 December 2023 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 10 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 (UPTEVIA, formerly known as BNP Paribas Securities Services, as of 31 December 2023). 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 (UPTEVIA, formerly known as BNP Paribas Securities Services, as of 31 December 2023). As a result, the total number of voting rights in the Company, existing at 31 December 2023, is as follows: 9,641,346 votes.

7. FREE SHARES AND SHARE BASED PAYMENTS

7.1 Free shares allocated during the year

A free share plan was allocated during 2022, totaling 40,000 shares to be vested over a period of 3 years proportionally starting in 31 December 2022. 13,333 shares were vested during 31 December 2023. The related expenses provisioned for 2023 amounted to EUR 170,672.20 at 2023 stock exchange closing price of EUR 12,80 per share.

7.2 Free shares allocated in previous years

13,333 free shares related to above mentioned plan regarding 2022 vesting were delivered during the year 2023, but already provisioned in 2022 for a value of EUR 139,996.50.

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. This legal reserve is equivalent to 10% of paid-up capital, ie EUR 555,232 since 2023 annual general meeting related to 2022 result allocation.

8. RESERVES (Continued)

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 in the share premium account of the Company for an amount of EUR 5,891,724.28 (2022: 5,436,097.90) corresponding to the amount booked as Own shares in ''investments'' under current assets (see note 5.2 above for the detail of those acquisitions).

9. CREDITORS

Creditors is mainly made up of current accounts with wholly owned subsidiaries of the company (EUR 0.4m in 2023 vs EUR 27.7m in 2022 out of which EUR 0.1m in 2023 VS EUR 27.4m in 2022 were related to current accounts with wholly owned subsidiaries).

10. TAX RATE

The Company is fully taxable at a maximum rate of 24.94% (2022: 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 has no off-balance sheet commitments (2022: nil).

12. EMPLOYEES

The Company does not employ any employee (2022: nil) as it does not have operational functions.

13. AMOUNTS AND ADVANCES AND LOANS GRANTED TO THE MEMBERS OF THE MANAGEMENT

There are no amounts, advances nor loans granted to the members of the management.

14. SUBSEQUENT EVENTS

At the date of approval of the accounts, no significant impact occurred. There have been no events after the reporting date which would require any adjustment or disclosure to these financial statements.