VELCAN Holdings

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

FINANCIAL YEAR ENDED 31st DECEMBER 2022

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

	31.12.2022	31.12.2021	Var %
§ Turnover	3.2	2.4	+30%
§ EBITDA	-2.7	-5.6	+54%
§ Net result	8.2	6.5	+27%
§ Cash & Financial assets*	124	120	+4%
§ Cons. Equity	127	122	+5%

2. Main events of 2022

The financial portfolio of the Group showed a EUR 12.1m gain in 2022. In 2022, financial markets have been marked by three major events, namely the end of the COVID19 pandemic restrictions, central banks rates hikes to fight high inflation and the crisis following the Russian aggression on Ukraine. In that context, the Group positions in equity and commodities (mostly gold and oil related) have on average performed well, leading to a financial gain of EUR 12.1m compared to EUR 21.0m in 2021, a year which greatly benefitted from the market rebound and support from the FED's easing measures. The key contributors to this performance were investments in banks and oil companies and successful repayments on our secured lendings.

As of 31/12/2022, in percentage of the net assets, the portfolio is mainly constituted of cash (46%), gold and silver linked securities (20%), and other equity long positions (28%). The balance is composed of 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 (-1%) and the net unrealized loss of opened positions on forward forex (-4%), which account negatively in the portfolio.

As of the end of the year 2022, the Group financial assets were exposed to the Japanese Yen (36.50% against 26.4% in December 2021) and the EURO (31.75% against 17.4% in Dec 2021). Exposure to the US Dollar was greatly reduced (-2%, excluding the overdraft against 46.6% in December 2021).

This allocation strategy of the financial assets proved profitable in 2022 as despite very negative prevailing market conditions, the Group net financial assets rose from Eur 119.7 million to Eur 124.4 million (+3.9%) and the financial result amounted to EUR 12.1 m as of 31/12/2022.

Given the current market conditions and monetary tightening by Central banks around the world in order to curb inflation, the Group will continue to monitor benchmark rates and does not anticipate to increase again its investments in corporate bonds in the short term. The Group's outlook for 2023 is an increased likelihood of a market drawdown given the aggressive rate hikes and expected monetary restrictions (QT). With this perspective, the Group has positioned itself in cash, equity short and gold as main investments for 2023.

The Indian greenfield hydropower projects are still suspended since September 2021. During several years, 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 of Arunachal Pradesh (GoAP). Not seeing any possibility of further discussion with GoAP, Velcan Holdings decided to suspend the projects, as they were – and still are not - in a position to make any progress at all under such circumstances. The projects are fully impaired since the FY 2021. The Group has started looking for potential investors to take over the project in 2022, and, despite unfavourable market conditions has been discussing with 2 major players interested in the projects. At the date of this report, the assessment of the projects and the discussion for a possible sale is going on with one major Indian player.

The Rodeio Bonito plant power generation of 56,159 MWh during 2022, against 27,638 MWh during 2021, was decent, and at a level not seen since 2016. The turnover from sales of electricity amounted to EUR 3.2m or BRL 17.2 m. It was up by 30% when expressed in Euros and up by 11% when expressed in BRL relative to 2021 (EUR 2.4 m or BRL 15.5 m for 2021). The increase of the turnover in BRL is due to an increase in electricity sales prices.

Share buyback programs were continued by Velcan Holdings during 2022 in order to provide liquidity to shareholders wishing to sell their shares. The share buyback program launched by the Board of Directors on 13th March 2020, as amended twice in order to buy 500,000 shares of the Company, ended on 31st May 2022, by expiry of its duration as initially determined by the Board of directors. A new program was initiated on 1st August 2022 with the aim to buyback 300,000 shares. As during the previous years, the shares were bought back in view of their cancellation or to cover for new grants of free shares. A total of 302,564 shares were bought back in 2022, for a total price of Eur 2,948,360.56. As of 31st December 2022, Velcan Holdings held 662,703 own shares representing 11.95% 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.

The year 2022 has seen a high level of market uncertainty and aggressive rate hikes by the FED. Overall, it has still been a good year with the Group capitalizing on oil investments in H1 2022 and the rebound on Chinese stocks as the Chinese authorities became more flexible on their Zero-Covid policy in H2 2022. The Group also recovered, through litigation for the major part, repayments on secured lendings that were previously fully provisioned in the books. Financial gain for the year has been at EUR 12.1m.

The evolution of the portfolio allocation is detailed below.

FINANCIAL INSTRUMENTS	Value 31.12.2022 in mEUR	Weight (% of net assets)	Value 31.12.2021 in mEUR	Weight (% of net assets)
Cash and cash equivalent	50.6	41%	25.5	21%
US Treasury Bill	5.8	5%	0.0	0%
Money Market Funds in BRl and INR	3.5	3%	1.2	1%
Unrealized Gains on open Forward Forex	0.1	0%	0.2	0%
Bonds	6.4	5%	8.4	7%
Gold and silver related stocks	25.2	20%	26.5	22%
Oil related stocks	0.0	0%	32.3	27%
Equity Long positions (EM, EU, USA, Japan)	35.4	28%	56.7	47%
Equity Short	3.9	3%	3.1	3%
Private Equity & Lending	0.2	0%	0.5	0%
Total assets (A)	**131.0**	105%	**154.5**	129%
Bank Overdraft and short-term loans	-1.3	-1%	-33.3	-28%
Unrealized losses on open forward forex	-5.4	-4%	-1.4	-1%
Total in Financial liabilities (L)	**-6.6**	5%	**-34.8**	-29%
Net Total (A+L)	**124.4**	100%	**119.7**	100%

The equity portfolio, including gold and silver related instruments, is deployed across a diversified array of 52 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 17.9m as of 31.12.2022. In addition, the Group has smaller holdings in specific gold mining companies.

In 2022, The Group reduced all exposure to oil related stocks mainly in January and May of 2022 thereby capitalizing on the rise in price on these stocks held since 2020. The Group further invested in Chinese stocks namely Tencent and Alibaba. Exposure to Volkwagen AG was also increased. This was also partly funded by a reduction of the exposure to JD.com, Global X China Semiconductor, Ping An, banking stocks including Citigroup, Wells Fargo, Capital One, BBVA, Santander, UBS Group and DBS Group and Orange SA.

As to non-gold related equities, 4 positions stand above EUR 3m threshold: iShares Silver Trust, Ping An, Tencent and Banco Bilbao Vizcaria Argentaria SA (BBVA). The Group also holds an S&P Short position of EUR 3.9m.

As of 31st December 2022, the Group's equity investment is mostly exposed to U.S, Chinese, European and Japanese issuers. The Group capitalized on investments in the banking and oil sector selling its positions in 2022 as these assets had rebounded strongly from their initial purchase price, mostly in 2020. The performance of these shares was between +40% to +175% 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 2 years. In 2022, the Group added some exposure to the NORDDEUTSCHE LANDESBANK GIROZENTRALE 6.25% bond. At period closing date the lines of the Group are with the following issuers:

a) EUR 1.7 m exposure to the republic of Argentina.
b) above EUR 4.6 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 2022. The Group had already significantly reduced the size of the bond portfolio as of the end of the year 2021. In 2022, the Group brought down the bond exposure from 7 to 5% of the total financial portfolio.

The Group is of the opinion that the current credit spreads, although higher than before do not sufficiently take into account the default risk that could increase. Especially as the rate hikes by Central Banks have increased hurdles for leveraged issuers. Unless there is a significant change in financial conditions, it is unlikely that the Group invests significantly in the short term in corporate bonds. That said for 2023, the Group continues to monitor potential rate hikes from the U.S Federal Reserve, the Bank of England, the European Central Bank and the Bank of Japan. The ongoing Ukraine invasion by Russia has created further market uncertainty. The FED has maintained its aggressive approach to monetary tightening when it comes to dealing from inflation which creates a lot of unknowns on possible market levels.

As of the end of 2022, the Group private investments sit at EUR 0.2m, which represent only private equity / venture capital. The Group is prospecting private investment opportunities to increase the share of this segment in its portfolio. The Group has seen repayment on loans granted to finance vessels to shipping operators. These loans were impaired back in 2021 and before, and thus the recovery of the loan benefited the Group in 2022. As at 31/12/2022, the Group does not hold any secured lending investments.

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 2022, the Group net financial assets and liabilities were mostly exposed to the following currencies:

- the Japanese Yen (36.5% from 26.4% in December 2021),
- the Euro (31.8% from 15% in December 2021)
- the Hong Kong Dollar (10.3%),
- the CNH (8.8%)
- the Singapore Dollar (7.6%)

Net exposure to the USD was kept low at -2% (excluding Margin balance) at the end of December 2022.

The Group also has EUR 3.5 m of investments in Money Market funds in Brazil and India and has also invested in short term US treasury bill with a EUR 5.8 m exposure at the end of 2022.

Like last year, the Group has carried some leverage (bank overdraft) of EUR -1.3m. The net cash position of the group as of 31/12/22 is EUR 49.3 m (cash and cash equivalents of EUR 50.6m and a bank overdraft of EUR 1.3 m secured on the listed financial assets of the Group). The Group also held Forward Forex contracts that had a Mark-to-Market value of EUR -5.3m as at 31.12.2022 (EUR -5.4m unrealized losses booked in financial liabilities of the group and EUR 0.1m of unrealized gain booked in financial assets.

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

The electricity generation of 56,159 MWh during 2022 (against 27,638 MWh during 2021) was decent, and at a level not seen since 2016 but was still below Rodeio Bonito's level of ensured energy[1].

The extensive rain deficit for several consecutive years has been 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 2022 FY.

The MRE system (Energy Reallocation Mechanism) was still in deficit in 2022, but with a much lower impact of consumed purchased for the Rodeio Bonito plant (EUR -0.2m in 2022 compared to EUR -0.9m in 2021).

The operation and maintenance of Rodeio Bonito are satisfactory with a technical availability of 98.7% during 2022, same as the one for 2021.

The turnover from sales of electricity by the Rodeio Bonito Hydro Power Plant (HPP) in Brazil amounted to EUR 3.2m or BRL 17.2 m. It was up by 30% when expressed in Euros and up by 11% when expressed in BRL

[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.

relative to 2021 (EUR 2.4 m or BRL 15.5 m for 2021). This much higher positive impact in EUR compared to local currency is due to a 15% appreciation in the average EUR/BRL rate during 2022 financial year compared to 2021 financial year, while the positive impact in BRL is due to an inflation linked increase in electricity prices.

As a result, the EBITDA of the plant was up to BRL 13.0m against BRL 6.3m in 2021 (+108% mainly because of the far less negative MRE impact and the inflation linked hike in power prices). When expressed in EUR, it was even higher by 148% (EUR 2.4m in 2022 VS EUR 1.0m in 2021) because of the better average EUR/BRL rate as seen above.

3.3. Hydropower Projects in India

Velcan Holdings decided to suspend the projects, in 2021 as they were 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 were shut down by the end of Q3 2021. The reasons for such decision are detailed in the Annual report 2021, and all other project development deadlocks are detailed notably in the 2020 report. The Group is not aware of any improvement of the hydropower sector situation, especially as to the land acquisition issue and the unavailability of vital provisions in the concessions agreements proposed by the GoAP, who has not changed its policy.

The Group is looking for a possible majority partner to take over the projects and the development operations, and is currently having official discussions with a major Indian hydropower player for that purpose.

The gross intangible value of the Indian projects, for EUR 15.0m had been fully impaired in previous years (out of which 7.5 in 2021).

4. Unaudited and condensed financial statements - comments

2.1 Unaudited and condensed financial statements

A. Income Statement

Turnover amounted to EUR 3.2m (against EUR 2.4m in 2021, a 30% increase), and is fully related to electricity sales in Brazil.

The current operating result amounted to EUR -3.2m (against -13.8 in 2021) with below main variations:

- Payments by Velcan for the MRE (Energy Reallocation Mechanism) were of EUR 0.2m in 2022 vs. EUR 0.9m in 2021.
- Depreciation and amortization of tangible and intangible assets of Rodeio Bonito plant amounted to EUR 0.5m (like in 2021), while depreciation on intangible projects under development was NIL in 2022 vs an amount of EUR 7.5m in 2021, due to the provision passed on Indian projects.
- Staff expenses amounted to EUR 1.5m in 2022 vs EUR 5.7m in 2021 with a sharp decrease because bonuses related to the good performance of the portfolio of financial assets had been paid in 2021 and because of a reclassification from salaries to consultancy fees.

- External expenses are totaling EUR 4.2m in 2022 vs EUR 1.6m in 2021 with a significant increase due to the above-described change in the organization from employees to consultants, and include audit fees as detailed below as well as:

  - EUR 0.5m of expenses related to Rodeio Bonito operation
  - EUR 0.1m of rental expenses
  - EUR 3.5m 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	31.12.2022	31.12.2021
Statutory auditor fees (BDO Luxembourg)	27.5	10
Other Annual accounts auditor fees (BDO)	29.5	12
Total	**57**	**22**

Net Financial Gain for the group amounted to EUR 12.1m in 2022 (see section 3.1 above), compared to EUR 21.0m in 2021.

Income tax expense amounted to EUR -0.6m in 2022 vs EUR -0.7m in 2021.

The net result, Group share, was EUR 8.2m in 2022 FY compared to EUR 6.5m in 2021. The Group's EBITDA rose to EUR -2.7m compared to EUR -5.9m in 2021.

The appreciation of BRL currency (+10%) when compared to Euro, at 2022 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 0.2m in 2022 against EUR 0.3m in 2021). The total comprehensive income amounts to a gain of EUR 8.4m in 2022 against a gain of EUR 6.8m in 2021.

B. Balance sheet

Assets:

Net intangible assets stand at EUR 1.1m in 2022 versus EUR 1.0m in 2021, because of an amortization of -0.1m on Rodeio Bonito's intangible assets and the appreciation of the brazilian currency and its effect on intangible assets value converted in Euro.

Net tangible assets stand at 5.1m in 2022 and increased by EUR 0.2m between 2021 and 2022, mainly because of the appreciation of the Brazilian currency and despite the accounting linear depreciation of the Rodeio Bonito plant (EUR -0.4m).

Cash, cash equivalent assets and financial assets (net of Current financial liabilities) have increased from EUR 119.7m in 2021 to EUR 124.4m in 2022 (+15%) mainly thanks to the good performance of the Group's financial portfolio (EUR 12.1m of financial result) and despite the share buyback programs (EUR -3.0m). Financial assets consist mainly in listed equity, commodities related stocks, gold related stocks, and bonds. (See chart page 6) while cash and cash equivalent positions significantly increased (EUR 50.6m VS EUR25.5m).

Finally total assets decreased by 14.4% during 2022 FY (down by EUR 23.2 m), mostly because of the decrease in the bank overdraft facility (EUR -28.1m) described in below as part of the "liabilities" and the related asset purchases consecutively to the reduction of listed equities and commodities held in the portfolio and the share buyback programs (EUR -3.0m).

At 31st December 2022, the Group holds 662,703 own shares (2021: 361,614). At year end closing price of EUR 10.5 those own shares have a market value of EUR 7.0m. 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 8.46 on average).

Liabilities:

Non-current provisions and other non-current liabilities amount to EUR 0.7m and EUR 0.9m at 31 December 2022 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. [2]

Trade and other payables amount to EUR 1.8m vs EUR 2.6m in 2021, and mostly relates to consulting fees, bonuses and success fees payable at year end (see above).

Current financial liabilities of EUR 6.6 m in 2022 (vs 34.8 in 2021). They relate mostly to:
- EUR 1.3m (2021: EUR 32.7m), 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 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 0m (2021: EUR 0.5m) of overdraft facility granted by a brokerage firm to the Group to buy its own shares;
- EUR 5.4m (2021: 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 -5.6m at 31st December 2022 versus EUR -2.7m at 31st December 2021 following the share buyback programs (EUR -3.0m) 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 127.5m (+EUR 5.8m compared to 2021), the Group still has a sound financial position (cash position + financial assets – financial liabilities = EUR 124.4m).

[2] 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 31/12/2022 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 31/12/2022 closing rate) plus interest. The Group considers this demand as frivolous.

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 2022	Capital reduction by cancellation of purchased shares and future service of share ownership plans
Total number of shares purchased in 2022	302,564 shares
Nominal value of shares purchased in 2022	Eur 302,564– Eur 1 nominal value per share
Percentage of capital bought back	5.46% based on the share capital as of 31/12/2022
Shares cancelled during 2022	Nil
Shares delivered to employees in 2022	1,475
Total price paid towards share buybacks in 2022	Eur 2,952,844
Total own shares owned as of 31/12/2022	662,703 shares
Percentage of capital held as of 31/12/2022	11.94%

The purchases made in 2022 were part of two different programs. First, a program was initiated on 13th March 2020 as amended on 17th September 2020 and 4th November 2021, in order to buy 500,000 shares of the Company, and ended on 31st May 2022, by expiry of its duration as determined initially by the Board of directors. During 2022, the Company bought back a total of 200,579 shares for a total amount of Euros 1,910,999 under this plan, in accordance with the descriptions of the buyback program published on 13th March 2020, 17th September 2020 and 4th November 2021 and the resolutions of the General Meetings of shareholders on 28th June 2017, 28th July 2017 and 29th June 2021.

Upon the end of the aforementioned program, a new program was initiated on 1st August 2022 for purchasing another 300,000 shares. In 2022, the Company bought back a total of 100,922 shares for a total amount of Euros 1,034,032 under this program, in accordance with the description of the buyback program published on 1st of August, and the resolutions of the General Meetings of shareholders dated 29th June 2021. This program is still ongoing as of the date of this report.

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.

1,063 shares were also purchased to employees of the Group for Euros 10,942 while 1475 shares were delivered to employees of the group with a Euro 13,791 accounting impact in the statutory accounts.

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 2022

No events subsequent to the 31st December 2022 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 2022 FY balance sheet compared to 2021 FY balance sheet is as follows:

Currency	2022	2021
Euros (EUR)	30%	15%
US Dollars (USD)	-3%	4%
Brazilian Reals (BRL)	8%	8%
Indian Rupee (INR)	-1%	-1%
Singapore Dollar (SGD)	7%	11%
Japanese Yen (JPY)	36%	26%
British Pound (GBP)	3%	5%
Hong Kong Dollar (HKD)	10%	18%
Chinese offshore yuan (CNH)	9%	9%
Others	1%	5%

As of 31st December 2022,
- the USD balance sheet net monetary exposure is negative -3% (VS 4% in 2021).
- 36% of the financial instruments are denominated in JPY (VS 26% in 2021)
- 10% of the financial instruments are denominated in HKD (VS 18% in 2021)
- 7% of the financial instruments are denominated in SGD (VS 11% in 2021)

- 9% of the financial instruments are denominated in Chinese offshore yuan (same as in 2021)

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 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 2022, 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 and the previous years with a fair value gain of EUR 0.1 m at 2022 year end (2021: EUR 0.2) and a fair value loss of EUR 5.4m at 2022 year end (2021: EUR 1.4m).

- 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 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. 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 2022 amounts to EUR 35.3 m out of which:

- EUR 3.5 m relates to Brazilian and Indian MM Funds (mostly Brazilian MM funds for 3.4 m
- EUR 19.6 m relates to certificate of deposits with banks
- EUR 6.4 m relates to Bonds
- EUR 5.8 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 31/12/2022, 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 DBS Bank (19.6 EUR m) and Interactive Brokers (27.1 EUR m).

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 64.5m, the MM Funds exposure amounts to EUR 3.5m while the listed bond exposure amounts to EUR 6.4m as of 31/12/2022 and the US T bill exposure amounts to EUR 5.8m. 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 invested in private equity. One of the risks in this sector could be the difficulty to find a buyer. However, the risk is limited as the exposure amounts to EUR 0.2m in 31/12/2022.

- 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:

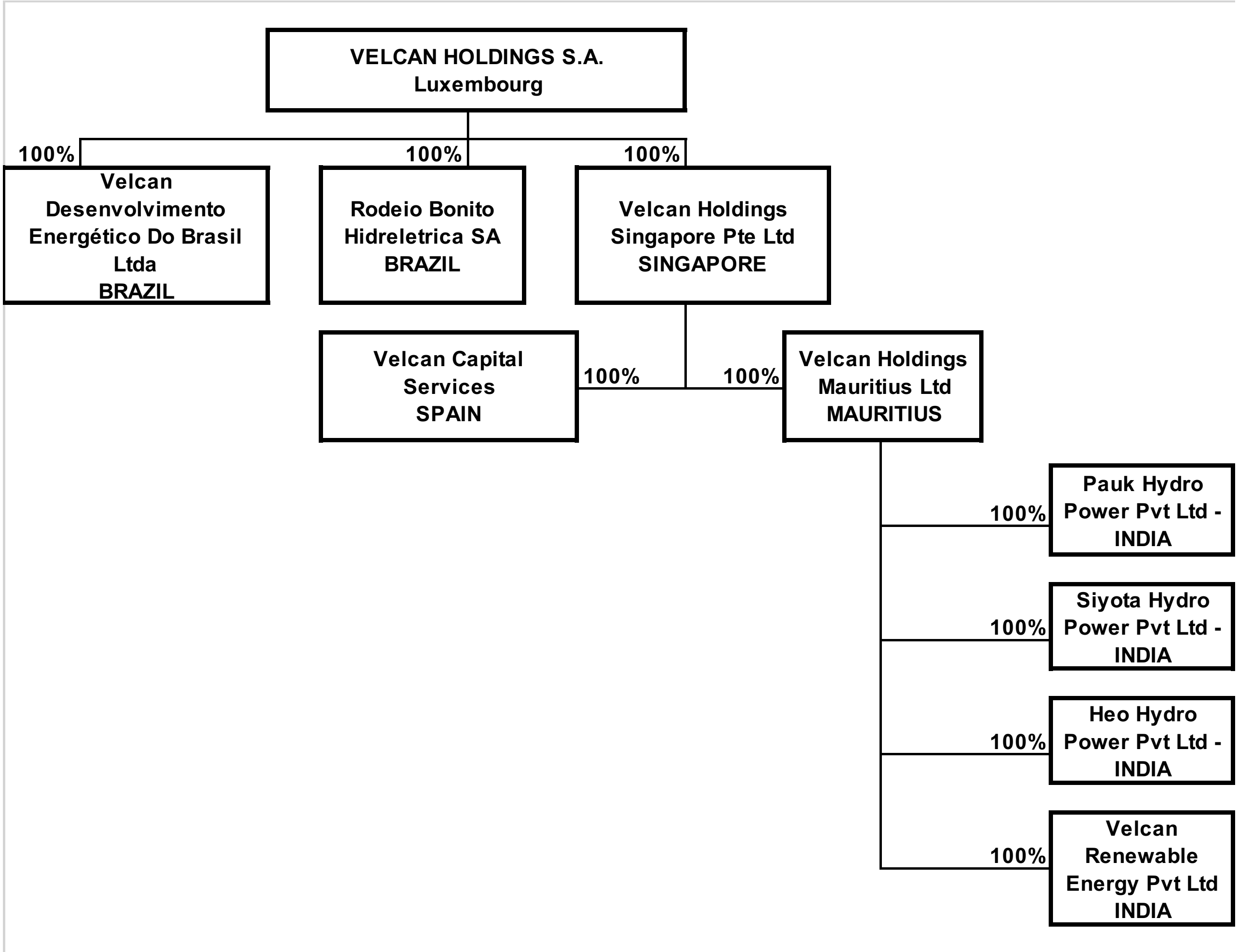
- a real average flow of water being less important than anticipated, for example, because of significantly lower rainfall than assumed by hydrological studies conducted during development phase of the project, reducing the generation of electricity whereas the investment has already been made. In Brazil 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. All the plants in Brazil were affected and suffered from less power generation than planned.
- Plant technical breakdown that could lead to the stoppage of the electricity generation and sale;
- Technical breakdown of the transmission lines, preventing the plant to sell its power;
- Environmental issues resulting in the shutdown of the plan for some time. For example, clams and algae invasions in the reservoir;
- Accidents, damages to men, machinery and the environment that could lead to the stoppage of the electricity generation and sale;
- Change in the local electricity market condition, price volatility, decrease of electricity price due to competition of cheaper sources;
- the insolvency of the off-taker, where sometimes public utilities are in bad financial shape due notably to network losses, electricity theft or payment default of their own end customers. These 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.

[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.

9. Organization Chart



As of 31st December 2022, 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. 2 other entities, VHSP Pte Ltd and Velcan Investment Fund Ltd have been taken out from the chart. Strike-off procedures (voluntary winding-up) have been initiated with and are under progress, as these company were dormant and/or became without object.

II. NON-AUDITED AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(in thousands of Euros)

Assets	31.12.2022	31.12.2021
Non current assets		
Intangible assets	1 071	1 041
Tangible assets	5 073	4 918
Non current financial assets	209	586
Total non-current assets	**6 356**	**6 549**
Current assets		
Current financial assets	80 273	128 432
Trade and other receivables	325	263
Income tax receivables	6	19
Other current assets	130	118
Cash and cash equivalents	50 574	25 467
Total current assets	**131 308**	**154 300**
Total assets	**137 664**	**160 849**

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

(in thousands of Euros)

Liabilities	31.12.2022	31.12.2021
Equity		
Issued capital	5 552	5 552
Additional paid in capital	120 607	120 607
Other reserves and conversion reserves	(6 925)	(11 001)
Net income for the year	8 226	6 456
Total Equity	**127 460**	**121 614**
Non current liabilities		
Non current provisions	723	755
Other non current liabilities	941	983
Total non-current liabilities	**1 663**	**1 739**
Current liabilities		
Current financial liabilities	6 622	34 761
Trade and other payables	1 808	2 618
Income tax payables	108	106
Other current liabilities	3	9
Total Current Liabilities	**8 541**	**37 495**
Total Liabilities	**137 664**	**160 849**

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

Statement of Profit & Loss	31.12.2022	31.12.2021
Operating revenues	3 157	2 425
Total operating revenues	**3 157**	**2 425**
Purchases	(163)	(938)
External expenses	(4 172)	(1 612)
Payroll expenses	(1 504)	(5 726)
Operating tax expenses	(5)	(5)
Depreciation, Amortization & Provisions	(562)	(7 990)
Current operating result	**(3 249)**	**(13 847)**
Other operating income	11	-
Other operating expenses	-	(8)
Operating result	**(3 238)**	**(13 855)**
Financial Income	21 003	23 931
Financial expenses	(8 902)	(2 911)
Financial Result	**12 102**	**21 020**
Income tax expense (-) / benefit (+)	(638)	(709)
Net result from continuing operations	**8 226**	**6 456**
Earnings per share (in Euros)	1,64	1,23
Diluted earnings per share (in Euros)	1,63	1,23
EBITDA	**(2 677)**	**(5 857)**

Statement of total comprehensive Income	31.12.2022	31.12.2021
Net income	8 226	6 456
Other comprehensive income, that will not be reclassified subsequently to profit or loss	177	333
Group Total Comprehensive income	**8 402**	**6 789**

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 01.01.2021	**5 552**	**120 607**	**(2 127)**	**(11 497)**	**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**	**120 607**	**(2 665)**	**(11 164)**	**9 283**	**121 614**	**(0)**	**121 614**
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**

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 9 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

2022 FINANCIAL YEAR

CONTENT

1. LEGAL INFORMATION

Name:	VELCAN HOLDINGS, the "Company", (formerly known as VELCAN)
Legal Form:	Société Anonyme (Public Limited Company)
Registered office:	11 Avenue Guillaume L-1651 Luxembourg
Company Registration Number:	RCS Luxembourg, B 145.006
Constitution:	Company incorporated on 12 February 2009 by notarial deed of Maître Paul DECKER.
Listing:	VELCAN HOLDINGS is listed on the Luxembourg Stock Exchange ("EURO MTF" VLCN-FR0010245803). The Company never performed any Public Offer as understood under Directive 2003/71/CE of the European Parliament and Council.
Financial Year:	From January 1st to December 31st of each year.
Board of Directors:	Mr. Philippe PEDRINI, 81, rue de Pannebourg, B-6700 Waltzing, Belgique, Chairman of the Board
	Mr. Jean-Luc RIVOIRE, carrer de Balmes, 206, 08006 Barcelona, Director
	Mr. Antoine DECITRE, 79-81 Duke Street, Flat 3, W1K 5PE, 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 2022 is mostly generated by the portfolio of financial assets. It amounts to EUR 7,791,195.95. The management is proposing following allocation:

	EUR
Profit or loss brought forward	(1,762,531.76)
Profit or loss for the financial year	7,791,195.95
Allocation to the legal reserve	(143,068.12)
	____________
Profit or loss carried forward	5,885,596.07
	===========

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 2022 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 2022, 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 2023

BDO Audit
Cabinet de révision agréé
represented by

Jessica Ott

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

4. ANNUAL ACCOUNTS

Page 1/2

Annual Accounts Helpdesk :

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

RCSL Nr. : B145006 | Matricule : 2009.2202.802

ABRIDGED BALANCE SHEET

Financial year from 01 01/01/2022 to 02 31/12/2022

(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	**153 298 937,51**	110	**145 101 772,31**
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	153 298 334,47	136	145 101 169,27
D. Current assets	1151		151	**6 061 399,31**	152	**5 225 117,42**
I. Stocks	1153		153	0.00	154	0.00
II. Debtors	1163		163	55 351,00	164	54 708,91
a) becoming due and payable within one year	1203		203	55 351,00	204	54 708,91
b) becoming due and payable after more than one year	1205		205	0.00	206	0.00
III. Investments	1189	4	189	5 436 097,90	190	5 072 095,38
IV. Cash at bank and in hand	1197		197	569 950,41	198	98 313,13
E. **Prepayments**	1199		199	**57 429,57**	200	**50 909,51**
		TOTAL (ASSETS)	201	**159 417 766,39**	202	**150 377 799,24**

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	**131 679 473,42**	302	**123 888 277,47**
I. Subscribed capital	1303	5	303	5 552 320,00	304	5 552 320,00
II. Share premium account	1305	5	305	114 250 227,45	306	117 189 279,91
III Revaluation reserve	1307		307	0.00	308	0.00
IV. Reserves	1309	8	309	5 848 261,78	310	2 909 209,32
V. Profit or loss brought forward	1319		319	-1 762 531,76	320	-13 838 122,38
VI. Profit or loss for the financial year	1321		321	7 791 195,95	322	12 075 590,62
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	**27 738 292,97**	436	**26 489 521,77**
a) becoming due and payable within one year	1453	9	453	27 738 292,97	454	26 489 521,77
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	**159 417 766,39**	406	**150 377 799,24**

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 **01/01/2022 to** 02 **31/12/2022**

(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	**-467 913,61**	652	**-1 193 682,57**
6. Staff costs	1605		605	**-139 996,50**	606	**-13 791,25**
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	-139 996,50	614	-13 791,25
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	**4 900 109,12**	716	**3 076 949,28**
a) derived from affiliated undertakings	1717		717	4 900 109,12	718	3 076 949,28
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	**445 899,68**	722	**35 965,28**
a) derived from affiliated undertakings	1723		723	418 444,40	724	0.00
b) other income not included under a)	1725		725	27 455,28	726	35 965,28
11. Other interest receivable and similar income	1727		727	**1 258 374,04**	728	**8 260 579,78**
a) derived from affiliated undertakings	1729		729	804 073,48	730	11 405,82
b) other interest and similar income	1731		731	454 300,56	732	8 249 173,96
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	**7 258 246,48**	666	**2 239 052,21**
14. Interest payable and similar expenses	1627		627	**-5 453 177,59**	628	**-334 483,67**
a) concerning affiliated undertakings	1629		629	-5 389 120,06	630	-33 865,93
b) other interest and similar expenses	1631		631	-64 057,53	632	-300 617,74
15. Tax on profit or loss	1635		635	**0.00**	636	**0.00**
16. Profit or loss after taxation	1667		667	**7 801 541,62**	668	**12 070 589,06**
17. Other taxes not shown under items 1 to 16	1637		637	**-10 345,67**	638	**5 001,56**
18. Profit or loss for the financial year	1669		669	**7 791 195,95**	670	**12 075 590,62**

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 short-term net liability position is due to a loan made to a wholly-owned subsidiary. It is temporary since this loan will be reimbursed through a capital decrease of the subsidiary. The geopolitical environment does not have a direct effect on the Company's operations, but may affect the operations and / or assets of its subsidiaries on the longer term, in particular, the portfolio of financial assets may 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, 2022	150,088,814.71	6,843,267.90	10,000.00	156,942,082.61
Current year additions	138,401,000.00	418,444.40	0.00	138,819,444.40
Current year disposals/reductions/Reimbursements	-138,678,270.86	0.00	0.00	-138,678,270.86
Foreign currency impacts	0,00	797,745.18	0.00	797,745.18
Nominal value/Historical cost as at December 31, 2022	149,811,543.85	8,059,457.48	10,000.00	157,881,001.33
Value adjustments				
Accumulated depreciation as at January 1, 2022	-5,449,988.96	-6,390,924.38	0.00	-11,840,913.34
Current year allowance	0.00	0.00	-10,000.00	-10,000.00
Current year reversal	5,449,988.96	1,930,167.08	0.00	7,380,156.04
Foreign currency impacts	0.00	-111,909.56	0.00	-111,909.56
Accumulated depreciation as at December 31, 2022	0.00	-4,572,666.86	-10,000.00	-4,582,666.86
Net book value as of January 1, 2022	144,638,825.75	452,343.52	10,000.00	145,101,169.27
Net book value as of December 31, 2022	149,811,543.85	3,486,790.62	0.00	153,298,334.47

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 31/12/22	Last financial year end	Statutory' s profit/loss in local currency	Statutory' s net shareholder's equity 31/12/22 in local currency (*)	Net book value in VELCAN books as at 31/12/22 (EUR)
Velcan Holdings Singapore Pte. Ltd	Singapore/ SGD	100%	31/12/2022	(1,518,917)	196,854,263	140,791,223
Rodeio Bonito Hidrelétrica LTDA.	Brazil/ BRL	99,99%	31/12/2022	8,512,834	31,107,739	9,020,320
Velcan Desenvolvimento Energetico Do Brasil Ldta	Brazil/ BRL	99,99%	31/12/2022	(600) **	(6,890,745) **	1.00
VHSP PTE. Ltd.	Singapore / SGD	100%	31/12/2022	****	****	****

* The net income for the financial year 2022 is included in the net shareholder's equity
** Non audited
*** A loan (denominated in BRL) of EUR 3,486,790.62 (net of impairment) is booked in Velcan Holdings accounts of 2022 financial year
**** Under voluntary liquidation

4. INVESTMENTS

As at 31 December 2022, the Company holds 662,703 own shares, for a total purchase value of EUR 5,436,097.90.

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 2022	Opening subscribed capital	5,552,320	1.00 €	5,552,320.00
31 December 2022	Closing subscribed capital	5,552,320	1.00 €	5,552,320.00

As at 31 December 2022, 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 2022:

Reasons of purchases effected during 2022	Capital reduction by cancellation of purchased shares and future service of share ownership plans
Total number of shares purchased in 2022	302,564 shares
Nominal value of shares purchased in 2022	EUR 302,564 – EUR 1 nominal value per share
Percentage of capital bought back	5.46% based on the share capital as of 31/12/2022
Shares cancelled during 2022	Nil
Shares delivered to employees in 2022	1,475
Total price paid towards share buybacks in 2022	EUR 2,952,844 (including 10,943 paid to buyback employee's free shares)
Total value of free shares delivered to employees	EUR 13,791
Total own shares owned as of 31/12/2022	662,703 shares
Percentage of capital held as of 31/12/2022	11.94%

5.2.2. Summary of own shares owned

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

Owned as of 01/01/2022	361,614
Total number of shares purchased in 2022 (Buyback programs)	+ 301,501
Shares cancelled during 2022 (capital decrease)	NIL
Shares purchased from employees	+ 1,063
Shares delivered as free shares (see note 7)	- 1,475
Owned as of 31/12/2022	662,703
Percentage of capital held as of 31/12/2022 (based on the share capital as of 31/12/2022)	11.94%

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 2022 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 the 31 December 2022 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 2022). 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 2022). As a result, the total number of voting rights in the Company, existing at 31 December, 2022, is as follows: 9,629,970 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 31/12/2022. The related expenses for 2022 amounted to EUR 139,996.50 at 2022 stock exchange closing price of EUR 10.5 per share.

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. 1,475 shares were delivered during the year 2022, but already provisioned in 2021.

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 2021 nor 2020, while historical reserve stood at 412,163.88. However, the position as turned positive in 2022 and thus an allocation of EUR 143,068.12 to the legal reserve has been submitted to the board. The legal reserve will amount to 10% of paid-up capital, i.e. EUR 555,232 after the proposed allocation.

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 5,436,097.90 (2021: EUR 2,497,045.44) 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 (EUR 27.4 m).

NOTES TO THE STATUTORY ANNUAL ACCOUNTS

10. TAX RATE

The Company is fully taxable at a maximum rate of 24.94% (2021: 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.

12. EMPLOYEES

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

13. 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.