

PRESS RELEASE

Luxembourg, 30th April 2021

VELCAN HOLDINGS: ANNUAL RESULTS 2020

STABLE FINANCIAL RESULTS BUT DECREASE OF THE NET INCOME DUE TO DISAPPOINTING OPERATIONS IN BRAZIL AND INDIA

NON AUDITED KEY CONSOLIDATED FIGURES	<u>2020</u>	<u>2019</u>	Var %
Revenues (EUR m)	2.5	2.8	-12%
EBITDA (EUR m)	-2.0	-1.4	-45%
Net Income (EUR m)	2.1	3.6	-41%
Shareholders' Equity (EUR m)	116	121	-4%
Cash and Financial assets	105	103	+1%

Velcan Holdings Group closed 2020 with a net result, Group share, of EUR 2.1m compared to EUR 3.6m in 2019. This decline essentially stems from, on one hand a drop of the Brazilian operational result due to a very low generation coupled with a massive depreciation of the Brazilian currency and on the other hand an increase of the impairment of the Indian projects, leading to an overall decline of the result. The EBITDA is also down by 45% (EUR -2.0m in 2020 vs EUR -1.4 m in 2019). Net financial gains, which amounted to EUR 7.7m, were almost stable compared to EUR 8.1m in 2019, mostly because of the reallocation of the portfolio from corporate bonds to equity and commodities. Shareholder's equity decreased by 4% mainly due to the share buyback programs executed in 2020 (492 k shares bought back in 2020, for a total price of EUR 3.1m).

During 2020, the Velcan Holdings Group continued developing its hydropower concessions located in India (571 MW), and operated its Rodeio Bonito hydropower plant (15 MW) in Brazil. The uncertainties and deadlocks of the Indian hydropower market remained, as in 2019, and prevented progress of the projects, leading to an additional provision of Eur 2.8 million (20%) for FY 2020 on the intangible value of the Indian projects. This brought the total provision to Eur 7.1 million (50%), considering the previously booked provisions. This additional provision was already accounted for in the 2020 half yearly results published in October 2020.



The Rodeio Bonito plant generation was historically low, 40% below the 2019 generation, as a result of the severe draught in the south of Brazil which led to an increase of the payments to the MRE system¹. At constant foreign exchange rates the turnover has grown (+18%) thanks to the inflation of selling prices. In Euro the turnover is down by 12% (EUR 2.5 m in 2020 vs EUR 2.8 m in 2019) because of the massive depreciation of the Brazilian currency in 2020 (-41%).

FINANCIAL YEAR 2020 – MANAGEMENT COMMENTS ON THE BUSINESS

India

The hydroelectric concessions obtained in 2007 in the State of Arunachal Pradesh could not make significant progress, due to several long lasting administrative and regulatory impediments, aggravated by the Covid-19 pandemic. The Techno-Economic Clearance (TEC), Environmental Clearance, Forest Clearance as well as most of the post TEC investigations being complete for the tandem Heo-Tato-1 (426 MW), the main next development steps for these 2 projects are the land acquisition, the transport infrastructure, the amendment of the concession agreements, the stage 2 Forest Clearance and the preliminary search for a bankable Power Purchase Agreement (PPA). These steps however essentially fall under the purview and responsibility of the State and Central Governments.

During 2020 the land acquisition procedure conducted by the State Government was halted due to a stoppage of the land survey by several land owners who physically prevented the District administration to enter some parts of the land, complaining about land ownership disputes and claiming immediate financial compensations. The discussions initiated between the state government and the concerned owners in February 2020 were suspended due to the Covid-19 outbreak, as the required meetings could happen only physically. The procedure could restart only in February 2021. All the on-site surveys and boundary markings were completed by the District Administration in March 2021, without interruption. As of the date of this press release, the Group has not received the official survey report and list of land owners from the District Administration. However the Group's team attended each survey and it is the Group understanding that significant parts of the land requirement have again been registered by the District Administration as being under ownership dispute, and that the survey may lead to an increase of disputed areas as compared to earlier lists established by the State Government. The Group does not know yet if and how the Government of Arunachal Pradesh (GoAP) will settle these disputes and find a solution that will allow permanent site access and the Projects' implementation.

¹ Energy Reallocation Mechanism system which involves payments from the generators when the overall system is in deficit. (Energy Reallocation Mechanism, definition and explanation in chapter I.4.2 of the annual report)

VELCAN HOLDINGS considers that, as per the current concession agreement and applicable regulations, the land acquisition process and ownership disputes settlement are the exclusive responsibility of the licensing Government. The concession contract provides for an extension of the development period in case of any delay which is not the responsibility of the developer. Negotiations with the GoAP, for the amendment of the concession agreement, relate to the development timeframe, but also to the amendment of the allocated capacities (still 380MW in the current concession agreement) and other important terms, have not progressed since 2018.

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

After requesting a draft amendment to the GoAP during Q4 2020, without success, the Group finally sent its own proposed draft amendment in Q1 2021. Its main provisions relate to the allocated installed capacities, the administrative fees, the development timeframe, the obligations of both parties, and the increase of the free power to the GoAP against the withdrawal of its potential equity participation in the projects. The provisions have been proposed by the Group considering the historical difficulties and the ground reality of the projects and of the Indian hydropower market. As of the date of this press release, the discussions are going on with the GoAP, but both TECs of Heo and Tato-1 HEP are technically not valid anymore, and their renewal is depending on the execution of the revised concession agreement (in addition to the CEA renewal procedure).

The road infrastructures have kept progressing at a slow pace during 2020 as they did in previous years. No progress has been made by the Government of India regarding the acceleration of the overall completion schedule. The scheduled dates of completion of the roads upgrade up to the projects site are still scheduled theoretically in 2022, but will most likely face significant delays of 2 to 3 years given that for some stretches the technical studies have not yet even been completed. On the forest clearance side, the renewal of the stage-I clearance has been applied for in September 2020 and is still under progress as of date.

The Group continued to explore the Indian market and to conduct its preliminary search for a PPA during 2020. All the major Indian power traders (PPA brokers) and distribution companies

(DISCOMS) contacted for Heo and Tato-1 either declined to take up a commercial discussion for a PPA or did not respond. The continued lack of appetite of the market for hydropower PPAs results from the commercial and financial Indian market conditions, which remained the same during 2020 and still do not fulfil the requirements for the long term and bankable sale of hydropower. The market remained constrained by the lack of appropriate regulatory framework for such bankable PPAs, the stressed financial position of electricity distribution companies (DISCOMS) and the indirect competition of cheap solar and wind power. Grid stability and the requirement for peak power² have also become a growing issue for Run-of-the-River (ROR, hence with no storage) hydro projects such as Heo and Tato-1 HEPs.

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

Despite the above issues, the Group's projects are the only hydropower projects of such size in India owned and developed by a foreign investor. They are amongst the most advanced private projects and present competitive techno-economic and environmental features.

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

The Indian projects activities have been detailed in chapter I.4.1 of the annual report available at <http://www.velcan.lu/investors/reports-accounts/>.

Brazil

The Rodeio Bonito Hydropower plant (15 MW) recorded a historically low production of 29 496 MWh in 2020, 40% below the 2019 generation (49 113 MWh in 2019) and close to its all-time record low of 2012 (24 793 MWh). However the turnover when expressed in the Brazilian currency (BRL) was up thanks to the inflation and the MRE system. But as a result of this very

² So-called "peak" electricity is supplied during a peak in electricity consumption, when the consumption of an electricity network is the highest for a defined period (usually specific hours of the day), and must therefore be guaranteed for a given schedule.

low electricity generation and the national low hydro generation in 2020, the plant had to compensate the MRE system, which was in a negative position. This is why payments to the MRE were much higher, reaching EUR 0.7m in 2020 vs. EUR 0.2m in 2019. As a result the EBITDA of the plant amounted to BRL 8.1m against BRL 9.3m in 2019, down by 13%. When converted in euro, the EBITDA of the plant was significantly lower to EUR 1.4m vs 2.1m in 2019 (-51%) mostly due to a 34% depreciation of the average rate of the Brazilian Real vs Euro currency in 2020.

Financial Assets

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

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

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

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

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

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

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

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

Contrary to the previous years, the Group has fully invested its cash and has used some leverage (see above / net cash position)

The financial portfolio is detailed in part I, section 3.1.B of the annual report 2020 available at <http://www.velcan.lu/investors/reports-accounts/>.

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

Foreseeable evolution of the Group:

After the closing of this financial year, the Group is pursuing the following main objectives as a priority for FY 2021:

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

The ability of the Group to pursue these objectives is subject to the evolution of the current Covid-19 crisis, which may affect both the development of the Indian projects and the financial portfolio.

FINANCIAL YEAR 2020 – MANAGEMENT COMMENTS ON THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Income Statement (unaudited consolidated)

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

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

- Payments to the MRE (Energy Reallocation Mechanism) were EUR 0.7m in 2020 vs. EUR 0.2m in 2019.
- Depreciation and amortization of tangible and intangible assets of Rodeio Bonito plant amounted to EUR 0.5m (EUR 0.7m in 2019), while depreciation on intangible projects under development was EUR 2.8 vs an amount of EUR 2.2m in 2019, due to the provision passed on Indian projects.
- Staff expenses amounted to EUR 2.7m in 2020 vs EUR 2.6m in 2019. The Group employed on average 20 permanent employees in 2020.
- External expenses are totaling EUR 1.4m in 2020 vs EUR 1.5m in 2019.

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

In 2020, other operating income (EUR 0.2m) consisted mainly of earn out gains on Brazilian assets related to Brazilian assets divested in previous years. This figure was NIL in 2019.

Income tax expense amounted to EUR -0.2m in 2020, same as in 2019.

The net result, Group share, was EUR 2.1m in 2020 FY compared to EUR 3.6m in 2019.

The Group's EBITDA reached EUR -2.0m compared to EUR -1.4m in 2019.

The strong depreciation of BRL (-41%) and INR (Indian Currency -12%) closing rates when compared to Euro, at 2020 closing date, has heavily and negatively impacted the other

comprehensive income, as the Group's main tangible and intangible investments have been done in local currency (EUR -4.5m in 2020 against EUR -0.1m in 2019). The total comprehensive income amounts to a loss of EUR -2.4m in 2020 against a gain of EUR 3.5m in 2019.

Balance sheet – Assets (unaudited consolidated)

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

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

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

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

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

Balance sheet – Liabilities (unaudited consolidated)

Non-current provisions and other non-current liabilities amount to EUR 0.7m and EUR 1.0m at 31 December 2020 respectively and arise from litigations related to the 2 biomass plants previously owned by the Group (Satyamaharshi SMPCL – 7.5 MW and Rithwik RPPL – 7.5 MW, owned between 2006 and 2010). The existing provision represents the major part of the claims as well as accumulated interests and judicial expenses.

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

Current financial liabilities of EUR 23.9 m in 2020 (vs NIL in 2019) are related to overdraft facilities granted by a brokerage firm to the Group to leverage its listed investments trading

activities. Under this facility, securities held in the trading account are used as a security to borrow money. This facility has enabled the Group to leverage its investments and maximize its profits. But it is to be noted that leverage works both ways and could also cause higher losses in case of fall in market prices.

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

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

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

The full annual report 2020 is available at:

<http://www.velcan.lu/investors/reports-accounts/>

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SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Balance Sheet

ASSETS (EUR '000)	2020	2019
NON-CURRENT ASSETS	14 375	22 946
Intangible Assets	8 256	11 923
Tangible Assets ³	5 315	8 023
Non-Current Financial Assets	805	3 000
Other Non-Current Assets	-	-
CURRENT ASSETS	128 060	100 547
Current Financial Assets	115 946	72 854
Cash and Cash Equivalents	11 673	27 168
Other Current Assets	440	525
TOTAL ASSETS	142 435	123 493

LIABILITIES (EUR '000)	2020	2019
Equity (Group Share)	115 819	121 088
Minority interests	0	0
TOTAL EQUITY	115 819	121 088
NON-CURRENT LIABILITIES	1 662	1 839
CURRENT LIABILITIES	24 954	566
Bank overdrafts	23 918	-
TOTAL LIABILITIES	142 435	120 647

³ Almost exclusively constituted of the Rodeio Bonito Hydro Power Plant asset

Income Statement (EUR '000) - Unaudited

	2020	2019
Revenues	2 517	2 846
Operating expenses	(4 772)	(4 246)
Amortizations, depreciations and Provisions	(3 349)	(2 876)
Ordinary Operating Result	(5 604)	(4 277)
Other operating Income	233	9
Operating Result	(5 371)	(4 268)
Net Financial Income (Loss)	7 711	8 108
Tax Income (Expense)	(220)	(244)
Income – Minority Share	0	0
Net Income – Group Share	2 119	3 596
EBITDA	(2 022)	(1 392)

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SUMMARY AUDITED STATUTORY FINANCIAL STATEMENTS (Lux Gaap)

Balance Sheet

ASSETS (EUR '000)	2020	2019
FIXED ASSETS	146 574	150 492
CURRENT ASSETS	58 778	6 565
Debtors	44	73
Investments	57 831	4 916
Cash at bank and in hands	904	1 576
PREPAYMENTS	47	43
TOTAL ASSETS	205 399	157 101

LIABILITIES (EUR '000)	2020	2019
CAPITAL AND RESERVES	111 813	119 527
CREDITORS	93 587	37 574
TOTAL LIABILITIES	205 399	157 101

Income Statement (EUR '000)

	2020	2019
Gross profit or loss	(1 457)	(859)
Value adjustments	-	-
Income from other investments & loans forming part of the fixed assets	1 700	537
Other interest receivable and similar income	532	3
Value adjustments in respect of financial assets and of investments held as current assets	(3 852)	1 510
Interest payable and other similar expenses	(2 737)	(164)
Tax on profit or loss	(9)	
Other taxes	(5)	(5)
Profit or Loss for the financial year	(5 829)	1 022

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About Velcan:

Velcan Holdings is a Luxemburg headquartered investment holding company founded in 2005, operating as an independent power producer in emerging countries and managing a global portfolio of financial assets.

The company owns and operates a 15MW hydro power plant in Brazil that it developed and built in 2009. The company is developing a cascade of hydropower concessions located in India and totalling 571 MW.

Hydropower concessions provide long periods of cash generation but their development outcome is uncertain and many years are needed to bring these projects to maturity in emerging countries: it involves field studies in remote places, obtaining the necessary authorizations and permits, and land acquisition in political and regulatory environments that can be unstable or heavily hampering. Meanwhile Velcan Holdings actively manages its treasury, investing in listed and unlisted financial instruments.

Velcan Holdings' headquarters are in Luxemburg, with administrative and financial offices in Singapore and Mauritius. The team dedicated to the development of the Indian hydropower cascade is based in New Delhi and at the project site (Arunachal Pradesh). The team dedicated to the Rodeio Bonito plant is based in Sao Paulo and Chapeco (Santa Catarina State).

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

Velcan Holdings is listed on the Euro MTF Stock Market in Luxemburg (Ticker VLCN/ISIN FR0010245803).

Velcan Holdings never performed any Public Offer as understood under Directive 2003/71/CE of the European Parliament and Council.

Disclaimer

This press release contains prospective information about the potential of the projects in progress and/or of the projects of which the development has begun. This information constitutes objectives attached to projects and shall not be construed as direct or indirect net income forecast of the concerned year. Reader's attention is also drawn on the fact that the performance of these objectives depends on future circumstances and that it could be affected and/or delayed by risks, known or unknown, uncertainties, and various factors of any nature, notably related to economic, commercial or regulatory conjuncture, which occurrence could be likely to have a negative impact on future activity and performances of the Group.

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