

VELCAN HOLDINGS: ANNUAL RESULTS 2024

STRONG FINANCIAL RESULTS, STABLE TURNOVER OF THE RODEIO BONITO PLANT,

NON-AUDITED KEY CONSOLIDATED FIGURES	<u>2024</u>	<u>2023</u>	Var %
Revenues (EUR m)	3.0	2.9	+2%
EBITDA (EUR m)	-5.6	1.8	NA%
Net Income (EUR m)	11.2	0.5	2005%
Cash and Financial assets and liabilities	135	125	+8%
Shareholders' Equity (EUR m)	135	128	+5%

The financial portfolio value of the Group has experienced a significant growth mainly driven by the positions held in precious metals, Japanese stocks and capitalizing on key investments in Chinese and Banking stocks. Ongoing global tensions increased investor interest in safe-haven asset with gold rallying in 2024. The value of the position of the Group in Gold Miners increased with the performance of gold. The position in precious metals and mining also acted as an effective hedge against persistent inflationary pressures. The U.S Federal Reserve has adopted a cautious stance on interest rates during the year given evolving economic conditions and signs of economic slowdown. Following the lowering of the Federal Funds Effective rate in August 2024, there have been subsequent rate cuts. Other central banks, such as the European Central Bank (ECB) and Bank of Japan (BOJ) have also been adjusting their monetary policies. The BOJ made a significant shift in 2024 by increasing interest rates to fight persistent inflation, for the first time in years leading to the appreciation of the Yen against other major currencies. 2024 has seen moderate recovery for China with the real estate sector showing slow recovery due to low demand and high debt burden. The Chinese government continued to implement stimulus measures to stabilize the economic activity and drive growth. China's trade relationship with the U.S. continues to be a major source of tension. With the intensification of geopolitical risks (ongoing war in Ukraine, Israel-Gaza war and U.S. China tensions) and a global elections super-cycle leading to volatility, the Group remained heavily positioned in cash, cash equivalents, and commodities related stocks for the whole year.

As of 31/12/2024, in percentage of the net assets, the portfolio is constituted of cash and short-term Western sovereign bonds (43%), gold mining and silver linked securities (22%), and other equity-long positions (25%). The balance is composed of equity short positions, BRL and

INR Money Market funds, bonds and private equity (see full details in chart below). The total is more than 100% because of a small overdraft facility (less than -0.1%) which accounts negatively in the portfolio.

This allocation strategy of the financial assets proved profitable in 2024. The Group net financial instruments increased to EUR 135 million, relative to EUR 124.6 million as at end of 2023 with a financial result of EUR 17.7 million as of 31/12/2024.

The Rodeio Bonito plant generated 52,190 MWh during 2024, against 50,190 MWh during 2023. An incident prevented the turbine no.1 from generating power from the 15th of October 2023 to the 9 November 2024. The turnover from sales of electricity amounted to EUR 3.0m or BRL 17.2 m. It was up by 2% when expressed in Euros and up by 10% when expressed in BRL relative to 2023 (EUR 2.9 m or BRL 15.6 m for 2023). In terms of rainfall and water discharge, 2024 was even worse than 2023, significantly below the historical values. The whole country has experimented the same phenomenon for several years now.

The 2024 net result stands at EUR 11.2m, compared to the EUR 0.5m of 2023. Shareholder's equity increased by 5%.

FINANCIAL YEAR 2024 – MANAGEMENT COMMENTS ON THE BUSINESS

Financial Assets

The Group has kept managing its portfolio of financial assets to provide financial returns. The Group has invested over the years in a diversified array of financial assets including worldwide equity, gold related assets, sovereign and corporate bonds, derivatives, commodities, forex, direct lending and private equity investments.

The year 2024 has seen a mix of moderate growth, inflationary pressures, and geopolitical uncertainties. The Group has maintained its silver and gold-related position in 2024. The Group then mainly reweighed its portfolio of Japanese, Asian stocks, and cash & cash equivalents including treasury related assets.

Financial results excluding Forex for the year have been a gain of EUR 16.4 m and the Forex impact has been a gain of EUR 1.3m.

The evolution of the portfolio allocation is detailed below.

FINANCIAL INSTRUMENTS	Value 31.12.2024 in mEUR	Weight (% of net assets)	Value 31.12.2023 in mEUR	Weight (% of net assets)
Cash and cash equivalent	32.5	24%	55.5	45%
USA Treasury Bill	14.7	11%	1.8	1%
German Treasury Bill/ Bond	5.9	4%	-	0%
French Treasury Bill/ Bond	4.5	3%	-	0%
Money Market Funds in BRL and INR	3.1	2%	5.2	4%
Unrealized Gains on open Forward Forex	-	0%	0	0%
Bonds and interest receivable	2.9	2%	6.7	5%
NTN-F Brazil bonds	4.7	4%	-	0%
Gold and silver related stocks	30.3	22%	26.0	21%
Equity Long positions (EM, EU, USA, Japan)	33.5	25%	26.8	22%
Equity Short	2.6	2%	3.1	2%
Private Equity & Lending	0.2	0%	0.4	0%
Total assets (A)	135.1	100%	125.5	101%
Bank Overdraft and short-term loans	- 0.1	0%	-	0%
Unrealized losses on open forward forex		0%	-0.8	-1%
Total in Financial liabilities (L)	- 0.10	0%	- 0.90	-1%
Net Total (A+L)	135.1	100%	124.6	100%

The equity portfolio, including gold and silver related instruments, is deployed across a diversified array of 50 different issuers and ETFs. The gold position, which the Group considers to be equivalent to a separate currency, was held through 4 positions. The investment in gold mining companies through VanEck Gold Miners ETF being the most significant, valued EUR 21.9m as of 31.12.2024. In addition, the Group has smaller holdings in specific gold mining companies.

In, H1 2024, the only remaining banking exposure was to Citigroup INC which was sold off in H2 2024 (resulting in a net financial income of 589 kEUR in 2024). Some positions were brought above 2 mEUR in 2024. The Group has decided to increase exposure to the Japan Hotel REIT industry with exposure in excess of EUR 2m both in Invincible Investment Corp (5mEUR exposure as at 31.12.2024) and Japan Hotel Reit Investment Corp (exposure of 6.3mEUR as at 31.12.2024). The Group has introduced exposure to the Filipino markets with 3.8mEUR exposure to the iShares MSCI Philippines ETF as of 31.12.2024. The Group further had a position in excess of 1.5mEUR to two mainland China ETFs as at 31.12.2024 namely in E Fund CSI 300 Index ETF and Huatai-PB CSI 300 ETF. The YTD unrealized gain on these two China positions is a gain of 568kEUR.

In 2024, the Group capitalized on its exposure to the China Insurance sector by selling its position in China Life Insurance Co Ltd, China Pacific Insurance Group Co Ltd and Ping An Insurance Group Co of China Ltd generating a net financial income of 3.3 mEUR. Similarly, the Group capitalized on its exposure to the China Internet sector by selling its position in Alibaba Group Holding Ltd Tencent Holdings Ltd generating a net financial income of 3.2 mEUR. The Group also invested in a new combined position of 2.6mEUR as at 31.12.2024 to the European automotive sector via positions in Bayerische Motoren Werke AG, Mercedes-Benz Group AG and Volkswagen AG respectively.

Geographically, the equity investments are mostly exposed to Chinese, Japanese and European issuers as of December 31st, 2024. The biggest exposure is to Japanese issuers (16% of the assets). The Group also has significant exposure to US issuers through ETFs although the underlying investment risk may not be in the USA.

The Gold and Silver investment is still viewed as insurance against inflation or monetary debasement. This investment is viewed as if the portfolio was invested in an additional currency.

As to bonds, in 2024, the Group decided to invest in NTN-F Brazilian Government bonds with an exposure of 4.7mEUR as at 31.12.2024. The net result on this position as of December 2024 is an unrealized loss of 0.9 mEUR. The Group's NORDDEUTSCHE LANDESBANK bonds matured in H1 2024. The remaining bonds portfolio is exposed to an Argentine Sovereign bond which has a long maturity and is rated CCC (as defined by Standard & Poor's). At period closing date the lines of the portfolio are with the following issuer:

- a) EUR 2.9m exposure to the republic of Argentina.
- b) EUR 4.7mEUR exposure to NTN-F Brazilian bonds

In March of 2024, these Argentina US dollar bonds rallied with investor bets on President Javier Milei taking on the task of transforming the Argentine economy (net performance on the Argentine bonds for 2024 is a gain of 1.8 mEUR). There was no further addition or reduction in any bond position apart from the Brazilian bonds

The cash part of the portfolio that is in positive yielding currencies (predominantly CNH, EUR, USD and SGD) is held in short term Fixed Deposits with a maturity ranging from weekly to 6 months at market prevailing rates and on interests earning cash accounts. Significant cash positions include 21.5mEUR in JPY, 5.2mEUR in CNH, 2.9mEUR in EUR and 1mEUR in USD. The Group's JPY cash position cost 0.33% p.a. in 2024. The Group has been investing idle cash in Sovereign bonds/ bills issued by governments of the U.S (14.7mEUR), Germany (5.9mEUR) and France (4.5mEUR).

As of the end of 2024, the private investments sitting at EUR 0.2m are venture capital investments. The group has been looking in 2023 and early 2024 at diversifying its portfolio to private equity but has not increased such investments due to still excessive valuations.

In H1 2024, the last EUR USD Forward contract held was settled. These settled Forward Forex contracts have generated a loss of 474k EUR in 2024. As of end of 2024, the portfolio was mainly exposed to the Japanese Yen (32%), the U.S. Dollar (41%) and the EURO (12%). The gold and silver positions are priced in USD and are included in the USD exposure.

The net cash position of the group as of 31/12/2024 is EUR 57.7 m including US T-Bill, German Bonds and French Bonds short term investments.

The Group also has EUR 3.1 m of investments in Money Market funds in Brazil and India (proceeds from sale of Indian projects have been placed in Money Market funds).

Rodeio Bonito Hydropower Plant (Brazil)

Plant Operation

On 15 October 2023, turbine #1 received a safety stop command due to high levels of vibration but both the turbine brake system and the floodgate closure failed. This resulted in the unit being damaged by a foreign object. The insurance policy has been activated, and repairs were taken up. The unit could be restarted in November 2024.

Despite the incident, the electricity generation of 52,190 MWh during 2023 (against 50,757 MWh during 2023) was decent, but was still below Rodeio Bonito's level of "ensured energy"¹.

The operation and maintenance of Rodeio Bonito were below previous averages because of the damage on turbine #1, which caused a technical availability of only 70.32% during 2024, compared to 87.57% for 2023.

The extensive rain deficit for several consecutive years is still weighing on Brazil's hydropower sector and Brazil power sector in general and the Group remains cautious on its Brazilian plant performance in the future despite a decent 2024 FY.

The MRE system (Energy Reallocation Mechanism) was still in deficit in 2024. The poor performance of the plant because of the unavailability of the turbine #1 relatively to other power plants of the system and the global MRE system being still in deficit because of the draught, impacted consumed purchased for the Rodeio Bonito plant (EUR -0.7m in 2024 compared to EUR -0.2m in 2023).

The turnover from sales of electricity by the Rodeio Bonito Hydro Power Plant (HPP) in Brazil amounted to EUR 3.0m or BRL 17.2 m. It was up by 2% when expressed in Euros and up by 10% when expressed in BRL relative to 2023 (EUR 2.9 m or BRL 15.6 m for 2023). The EUR/BRL average rate was lower during FY 2024 (depreciation of -8%) which explains the difference in terms of percentage between the 2024 and 2023 comparative figures in BRL and EUR.

As a result, the EBITDA of the plant was down to BRL 8.7m in 2024 against BRL 11.1m in 2023 (-22%) mainly because of a lower turnover and higher expenses (MRE purchases as stated above plus exceptional expenses related to the repairing of the turbine #1). When expressed in EUR, it was down by 28% (EUR 1.5m in 2024 VS EUR 2.1m in 2023) because of the lower average EUR/BRL rate and the other items seen above.

Change of regulation

2024 has seen a new regulation proposal by the ANEEL the Brazilian energy regulator, under which each power plant guaranteed energy would be adjusted yearly.

It introduces the concept of Adjusted Physical Guarantee (GFA) which will be calculated by incorporating also each plant's availability during its generation period. This adjustment aims

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.

to optimize energy allocation within the MRE which has been experiencing a chronic energy deficit for many years

For the Rodeio Bonito power plant, preliminary calculations indicate that the new allocated energy amount will be around 5.3 MW. The Gfa is a plant-specific adjustment based on its actual availability, on top of the current system where all MRE plants were treated equally via the GSF.

In practice this new regulation may well result in additional significant MRE payments in case the chronic draught continues in Brazil. Given that the plant has often generated less than its ensured energy in the previous years, if this regulation is enacted, it will have a negative impact on the profitability and the cash generation capacity of the plant.

Indian Hydropower Projects

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

Following this sale, the Group is left with the third project of the said cascade, the Pauk HEP (145 MW), its last greenfield hydropower project.

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

Share buybacks

They were continued by Velcan Holdings during 2024 to provide liquidity to shareholders wishing to sell their shares. The share buyback program launched by the Board of Directors on 15 January 2024 ended on 31 December 2024 by expiry of its duration. During 2024, a total of 92,892 shares were bought back, for a total price of Eur1,288,922. As during the previous years, the shares were bought back in view of their cancellation or to cover for new grants of free shares. Apart from that, 156,949 shares were bought back as a result of a share buyback offer launched on 10 June 2024 (which differs from the share buybacks programs as such offer is made to all shareholders simultaneously and conducted out of the market). All the shares bought via this offer were cancelled in September 24. During the year, 13,333 shares were delivered as free shares to employees of the Group. As of 31st December 2023, Velcan Holdings held 777 709 own shares representing 14.41% of its share capital. A new program was initiated on 13 January 2025 with a maximum number of 300,000 shares to be eventually bought back.

Foreseeable evolution of the Group:

After the closing of the financial year 2024, the group will pursue the diversification of its investment portfolio in order to maximize possible return.

Update on the portfolio management in 2025:

Between late February and end of March 2025, the Group liquidated all its positions related to gold and silver, notably its positions in the Van Eck Gold Miners ETF the iShare Silver Trust, resulting in a final gain of Eur 9.2m compared to the initial investments made in 2020-2021.

These positions accounted for 3.4m Meur unrealized gains as of 31/12/2024.

Following the election of Donald Trump, US financial markets entered a euphoric phase. The mood gradually darkened in early 2025, and markets have been extremely volatile since the start of the trade war. The Group has decided to keep a very significant position of the portfolio in cash (approx. 65% at the date of this document) to profit from eventual market dislocations. The Group considers that the US market is still expensive to very expensive. And at the risk of a further significant correction. Which could generate very interesting investment opportunities in some parts of the investment world.

The full annual report 2024 is available at:

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

➔ Summarized accounts next page

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Balance Sheet

ASSETS (EUR '000)	2024	2023
NON-CURRENT ASSETS	4 710	6 360
Intangible Assets	780	1 032
Tangible Assets ²	3 723	4 919
Non-Current Financial Assets	208	409
CURRENT ASSETS	135 904	125 358
Current Financial Assets	102 393	69 563
Cash and Cash Equivalents	32 517	55 495
Other Current Assets	994	300
TOTAL ASSETS	140 614	131 718

LIABILITIES (EUR '000)	2024	2023
TOTAL EQUITY	134 781	128 110
NON-CURRENT LIABILITIES	722	1 604
CURRENT LIABILITIES	5 112	2 004
Current financial liabilities	0	875
Other payable	5 111	1 130
TOTAL LIABILITIES	140 614	131 718

² Almost exclusively constituted of the Rodeio Bonito Hydro Power Plant asset

Income Statement (EUR '000) - Unaudited

	2024	2023
Revenues	2 951	2 890
Operating expenses	(8 588)	(5 368)
Amortizations, depreciations and Provisions	794	(576)
Ordinary Operating Result	(4 842)	(3 054)
Other operating Income/expense	0	4 320
Operating Result	(4 842)	1 266
Net Financial Income (Loss)	17 744	65
Tax Income (Expense)	(1 680)	(798)
Net Income – Group Share	11 221	533
EBITDA	(5 636)	1 842

➔ Audited statutory statements next page

SUMMARY AUDITED STATUTORY FINANCIAL STATEMENTS (Lux GAAP)

Balance Sheet

ASSETS (EUR '000)	2024	2023
FIXED ASSETS	115 123	126 449
CURRENT ASSETS	12 600	6 361
Debtors	671	353
Investments	11 853	5 892
Cash at bank and in hands	76	116
PREPAYMENTS	72	61
TOTAL ASSETS	127 795	132 871

LIABILITIES (EUR '000)	2024	2023
CAPITAL AND RESERVES	127 376	132 465
CREDITORS	420	406
TOTAL LIABILITIES	127 795	132 871

Income Statement (EUR '000)

	2024	2023
Gross profit or loss	(655)	(773)
Income from participating interests	0	1 652
Income from other investments & loans forming part of the fixed assets	500	418
Other interest receivable and similar income	24	18
Value adjustments in respect of financial assets and of investments held as current assets	(250)	527
Interest payable and other similar expenses	(2 204)	(590)
Tax on profit or loss	0	0
Other taxes	(227)	(466)
Profit or Loss for the financial year	(2 813)	785

* * *

Investor Relations Contact investor@velcan.lu

About Velcan:

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

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

Velcan Holdings is listed on the unregulated Euro MTF Stock Market in Luxembourg (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.

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