

 METALCORPGROUP

⋮ HALF-YEAR REPORT 2017





METALCORP GROUP **CONTENT**

| | | |
|--|----|--|
| STRATEGIC REPORT | 4 | Overview |
| | 6 | Business Performance |
| | 8 | Outlook |
| | 9 | Risks & Uncertainties |
| CONSOLIDATED FINANCIAL STATEMENTS | 12 | Consolidated statement of profit or loss |
| | 13 | Consolidated statement of financial position |
| | 14 | Notes to the financial statements |

METALCORP GROUP OVERVIEW

Metalcorp Group is a diversified metals and minerals group with activities that span production and processing, to marketing and trading.

FERROUS METALS DIVISION

TRADING & MARKETING

STEELCOM GROUP

Monaco, Vienna, Essen, Zug, Houston, San Paulo, Madrid, Dubai, Belgrade, Mumbai, Singapore and Beijing

Ferrous trading and marketing is headed by Steelcom, a 60-year veteran of the market. Steelcom is a steel service provider, with particular expertise in **pipes and tubes, automotive supply chain business and special steels, as well as steel-related raw materials.**



PRODUCTION - STEEL

NIKOLAÏDIS TH. BROS Thessaloniki, Greece

Founded in 1963, Nikolaïdis has long standing experience in the production and extrusion of welded steel pipes, hollow sections and galvanised pipes. It is the only **active specialised pipe galvanising facility** making it of strategic importance for the region.



NON-FERROUS METALS DIVISION

TRADING & MARKETING

TENNANT METALS GROUP Monaco, Sydney, Johannesburg

The trading and marketing of non-ferrous products are led by Tennant Metals, which has been a leading market participant since 1955, specialising in **base metals, ores, concentrates and alloys.** Together with the Group's production assets and long-standing offtake agreements, Tennant has made itself a strategic partner for its suppliers and customers.

In 2016, a significant **offtake agreement for ferrochrome** was signed with a south african supplier.



RAW MATERIALS - BAUXITE & ALUMINA

SOCIÉTÉ DES BAUXITES DE GUINÉE Conakry, Guinea

SBG holds a 25-year concession for **300 million tons of bauxite** deposit in Guinea.

The company is developing a **bauxite/alumina project**, including an alumina refinery, which aims to yield exports of 3 million tons per annum of bauxite and 1.6 million tons per annum of alumina.



PRODUCTION - ALUMINIUM

BAGR BERLINER ALUMINIUMWERK Berlin, Germany

Since 1997, BAGR has been Europe's leading independent **aluminium slab producer.** The plant houses a re-melting facility and its own cast house. With a **capacity of 90,000 tonnes per year**, we recycle aluminium based production waste and aluminium scrap units into **high quality slab.**

STOCKACH ALUMINIUM Stockach, Germany

StocakachAlu is a **secondary aluminium slab producer** with an annual **capacity of 40,000 tonnes per year** and also provides complementary products alongside BAGR, such as other dimensions or alloys.



PRODUCTION - COPPER

CABLE RECYCLING INDUSTRIES Bilbao, Spain

CRI is a copper scrap recycler with a strong European customer base.

The plant is an **energy-efficient convertor of copper scrap** into high quality copper granulates, with an emphasis on minimal waste.



METALCORP GROUP BUSINESS PERFORMANCE HALF-YEAR 2017



BUSINESS PERFORMANCE HALF-YEAR 2017

The table below provides a segmented overview of the Revenue and Gross profit ("GM") of the Company:

| EUR 1.000 | Revenue | | GM | |
|------------------------|----------------|----------------|---------------|---------------|
| | HY 2017 | HY 2016 | HY 2017 | HY 2016 |
| Trading | 248 861 | 182 347 | 14 648 | 10 511 |
| Production | 62 150 | 28 983 | 5 173 | 3 006 |
| Other and eliminations | 1 877 | -2 332 | 572 | -546 |
| Total | 312 888 | 208 998 | 20 393 | 12 971 |

Revenue was EUR 312.888 thousand compared to EUR 208.998 thousand reflecting the increased activity due to the expansion of the ferrous trading team as announced in the Annual Report 2016. Furthermore, the multi-year offtake agreements for non-ferrous trading in specific market segments such as ferrochrome is continuing to grow despite lower market prices. On the production side, the aluminium production has grown both organically (BAGR) as well as a result of acquisitions (Stockach). A corresponding increase in the nominal GM is realised, as it increased from EUR 12.971 thousand in the first half of 2016 to EUR 20.393 thousand in the first half of 2017.

The solvency (total group equity divided by the balance sheet total) at the balance sheet date is 31,5% at 30 June 2017 and is lower than usual due to

the re-financing activities of the bond. The Company has launched a new bond that has led to a cash balance of EUR 54 million with a corresponding effect in the long-term liabilities as the repayment of the bond has not taken place yet. Technically the liability is included in the solvency calculation, but without this technical effect, the solvency rate is 36,1%. Furthermore, Trade Finance is utilised to finance the deals of the Trading division and lead to a corresponding increase in inventory and accounts receivable, which are both pledged to the Trade Finance Banks. When receivables are paid by our customers, our Company receives the profit made on these deals and the Trade Finance facility is repaid. The solvency excluding self-liquidating Trade Finance is 43,6% at 30 June 2017.

OUTLOOK

GENERAL

The Company will further explore and develop niche markets as well in the ferrous and the non-ferrous area of products. Furthermore, the Company continues to explore distressed assets that become available due to the market circumstances.

A major contribution is expected from the Company's industrial activities in the production of aluminium, copper granulates and the pipe and tube plant. The Company will continue to further develop the synergies between the different divisions and its global network.

FINANCING

The long-term financing and short-term bank facilities are in place and the relationships with these banks will be maintained. In order to further grow the trading activities, additional trade finance capacity is being developed with the Group's current and new banking relationships.

EMPLOYEES

As over the last years, the Company will ensure that the organisation remains lean in terms of headcount. Key management positions are filled by personnel with the required experience, background, and the entrepreneurial spirit and drive to contribute to our growth and success. Additional personnel will only be employed when the growth in our activities requires so.

RISK & UNCERTAINTIES

The presentation of financial statements requires the management to make estimations and assumptions which affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Actual results could differ from those estimates impacted by the following risks:

FLUCTUATION IN CURRENCY EXCHANGE RATES

The Company finds its suppliers and customers across the globe, while operations and operating costs are spread across several different countries and currencies. Fluctuation in exchange rates, in particular, movements in US dollar and Australian dollar against the euro, may have a material impact on the Company's financial results. Note that our business is mainly executed on a dollar basis on the purchasing, selling as well as the financing side. If currency is not naturally hedged through back-to-back deals, the exposure is hedged through adequate instruments.

FINANCING, CASH FLOWS AND LIQUIDITY

The trading activities are dependent on trade financing lines availability. We have significant uncommitted trade lines with major banks. These trade financing lines are uncommitted by nature and, therefore, no guarantee can be given that trades presented to these banks will be funded. However, all presented deals thus far are financed by the banks.

PRICE VOLATILITY

The market prices for the various base metals are volatile and cannot be influenced neither controlled. Inventories are therefore subject to valuation changes, which may have a material impact on the Company's financial results. However, the Company enters into back-to-back deals in which serves as a natural hedge that "locks" the market price, so that the Company is not exposed to price fluctuations. In cases where the Company is not covered by this natural hedge, the price risk is mitigated by applying adequate financial instruments.

COUNTRY RISKS, POLITICAL, COMMUNITY AND FISCAL INTERVENTION

The Company's operations and projects span numerous countries, some of which have more complex, less stable political or social climates and consequently higher country risk. Political risks include changes in laws, taxes or royalties, expropriation of assets, currency restrictions or renegotiation of, or changes to, mining leases and permits. Similarly, communities in certain regions may oppose mining activities for various reasons. Any of these factors could have an adverse impact on the Company's profitability in a certain geographic region or at certain operations. However, so far the Company has not experienced those problems.

OTHER RISKS

Other risks facing the Company include performance risk on offtake agreements; quality of commodities traded and produced, competition, environmental and insurance risks and uncertainty of additional financing. These risks and the mitigating measures are monitored and managed by the Company on a regular basis and appropriate action is taken whenever this is required.



METALCORP GROUP
**CONSOLIDATED
FINANCIAL STATEMENTS**

- ⋮ Consolidated statement of profit or loss
- ⋮ Consolidated statement of financial position
- ⋮ Notes to the financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(before appropriation of result)

| EUR 1.000 | HY 2017 | HY 2016 |
|-------------------------------|----------------|----------------|
| Continuing Operations | | |
| Revenue | 312 888 | 208 998 |
| Cost of sales | -292 495 | -196 027 |
| Gross profit | 20 393 | 12 971 |
| Operating expenses | | |
| Selling expenses | -2 225 | -1 430 |
| Administrative expenses | -5 259 | -5 511 |
| | -7 484 | -6 941 |
| Operating profit | 12 909 | 6 030 |
| Non-operating expenses | | |
| Unrealized fair value changes | - | - |
| Financial income and expense | -3 401 | -3 691 |
| Net finance cost | -3 401 | -3 691 |
| Profit before tax | 9 508 | 2 339 |
| Income tax expense | - | - |
| Profit | 9 508 | 2 339 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(before appropriation of result)

| EUR 1.000 | 30/6/2017 | 31/12/2016 |
|---|----------------|----------------|
| Assets | | |
| Non-current assets | | |
| Property plant and equipment | 132 519 | 121 942 |
| Intangible fixed assets | 35 287 | 35 379 |
| Financial fixed assets | 175 | 4 268 |
| Total non-current assets | 167 981 | 161 589 |
| Current assets | | |
| Inventories | 40 160 | 33 876 |
| Receivables, prepayments and accrued income | 160 594 | 136 335 |
| Securities | 6 042 | 6 051 |
| Cash and cash equivalents | 54 621 | 10 783 |
| Total current assets | 261 417 | 187 045 |
| Total assets | 429 398 | 348 634 |
| Equity and liabilities | | |
| Equity | | |
| Share capital | 70 000 | 70 000 |
| Reserves and retained earnings | 37 333 | 28 004 |
| Equity attributable to the owners of the company | 107 333 | 98 004 |
| Non-controlling interest | 28 053 | 23 590 |
| Total equity | 135 386 | 121 594 |
| Non-current liabilities | | |
| Loans and borrowings | 135 417 | 75 165 |
| Deferred tax liabilities | 4 939 | 4 935 |
| Total non-current liabilities | 140 356 | 80 100 |
| Current liabilities and accruals | 153 656 | 146 940 |
| Total current liabilities | 153 656 | 146 940 |
| Total equity and liabilities | 429 398 | 348 634 |

NOTES TO THE FINANCIAL STATEMENTS

1.1 Corporate information

The activities of Metalcorp Group B.V. ("Metalcorp Group" or "the Company") and its group companies primarily consist of the trading and production of metals, ores, alloys and related services. The Company has its legal seat at Orlyplein 10, 1043 DP Amsterdam, the Netherlands, and is registered with the chamber of commerce under number 34189604.

The Company was incorporated as a limited liability company under the laws of the Netherlands on 14 April 2003 for the purpose of establishing an industrial holding company in the Netherlands. Its major shareholder is Lunala Investment S.A. in Luxembourg. The financial statements of Lunala Investments S.A. are available at the Chamber of Commerce of Luxembourg.

The Company has its corporate headquarters in Amsterdam, which is also the head of the group of legal entities. The consolidated annual accounts comprise the financial information of the Company and of its investments in which it exercises a controlling interest. These investments are fully included in the consolidation.

1.2 Statement of compliance

Financial information relating to group companies and other legal entities which are controlled by the Company or where central management is conducted has been consolidated in the financial statements of the Company. The consolidated financial statements have been prepared in accordance with the accounting principles of the Company. The financial information relating to the Company and its group companies is presented in the Consolidated Financial Statements. Financial information relating to the group companies and the other consolidated legal entities is fully included in the Consolidated Financial Statements, eliminating the intercompany relationships and transactions.

Third party shares in equity of group companies are separately disclosed.

The results of newly acquired group companies are consolidated from the acquisition date. At that date, the assets, provisions and liabilities are measured at fair values. Goodwill paid is capitalized and is subject to an annual impairment test. The results of participations sold during the year are recognized until the moment of disposal.

1.3 Basis of preparation

The consolidated financial statements have been prepared according to the same accounting principles as the Annual Report 2016 with the exception of securities and taxation, which are both accounted for on an annual basis.

1.4 Board of Directors

The company is directed by Mrs. Pascale Younès.

DISCLAIMER

The facts and information contained in this report contains information as known to the reporting date and is subject to future changes. Neither the Metalcorp Group B.V. (the "Company") or related companies, affiliates, subsidiaries or management, supervisory board members, employees or advisors nor any other person can be held liable for any misrepresentations and do not provide any warranties with regards to the completeness of this report.

Neither the Company or related company, affiliates, subsidiaries nor any of the previous mentioned persons shall have any liability for any loss arising from the use of this report, neither direct nor indirect nor consequential damages. Whilst all reasonable care has been taken to ensure that the facts stated herein are correct and the views expressed herein are fair and reasonable, no guarantee can be provided. With regards to quoted information from external sources, this information is not to be interpreted as if they have been accepted or confirmed by the Company.

This document contains forward-looking statements. Forward-looking statements include all statements that do not describe historic facts, but contains terms such as "believe", "assume", "expect", "anticipate", "estimate", "plan", "intend", "could" or similar wording. However, these statements are by nature subject to risk and uncertainties, as they are related to future events and are based on assumptions and estimates, which could not occur at all or do not occur as anticipated in the future. Therefore, no guarantee is provided for any future results or the performance of the Company, the actual financial situation and the actual results of the Company as well as the overall economic development and legal frameworks that may differ materially from the expectations reflected in the forward looking statements that are expressed or implied and may not fulfill. Investors are therefore cautioned not to base their investment decisions regarding the Company on the expressed forward looking statements.

METALCORP GROUP **CONTACT**

· METALCORP GROUP B.V.
· Orlyplein 10
· 1043 DP Amsterdam
· The Netherlands
· www.metalcorpgroup.com