METALCORPGROUP

# Half Year Report 2014

1 January 2014 – 30 June 2014

Metalcorp Group B.V.
Amsterdam
29 August 2014

# Index

# DIRECTOR'S REPORT

# A. General overview and strategy

Metalcorp Group B.V. (“Metalcorp” or the “Group") is an international group that produces and trades metals and minerals across the globe. It further develops metals and mineral resources in order to secure (future) supply to its trading and production units. The group is organized through two divisions, Non-Ferrous and Steel with the following three sub-divisions: production, trading and resources development.

## 1. Non-Ferrous

### 1.1. Production

#### BAGR Berliner Aluminiumwerk GmbH

BAGR is a secondary aluminium producer. Since 1997, the company has been operating this re-melting and casting plant in a historic industrial area situated in the north of Berlin. With a capacity of up to 90.000 tons per year, BAGR is the leading independent secondary slab producer in Europe. A highly efficient and meanly structured team of qualified employees turns aluminium scrap, alloy additives and small quantities of primary aluminium into high-quality aluminium slabs. These are then further processed by our customers into strips, sheets, plates and cuttings.

### 1.2. Trading

#### Tennant Metals

Tennant Metals is specialized in the physical trading of aluminium, lead, tin zinc, refined metals, ores and concentrates. Tennant Metals has global trading relationships through its offices in Australia, China, Germany, Monaco, South Africa, and a number of agencies around the world. It has a strong know-how in the field of logistics, trade finance and risk management.

### 1.3. Resources Development

The main objective of the Resources Development activities is to establish off-take agreements that supply our trading and production facilities by utilizing the know-how and global network of our group.

#### Société des Bauxites de Guinée

The Company's main project is Sociéte des Bauxites de Guinée ("SBG"), which owns a bauxite license in Guinea. Guinea has amongst the world’s largest reserves of bauxite (>25 billion tons – almost half of the world’s bauxite resources) with renowned companies such as Alcoa, Rio Tinto and BHP Billiton operating there. The objective of this project is to establish an alumina refinery with a capacity of 1.6 million tons per annum. The “Measured Resource”, which is the highest standard possible according to the JORC code and basis for funding of the banks, is 160 million tons. The total resource is almost 300 million tons, including the Indicated and Inferred Resource. The quality of the bauxite is of world class with alumina content higher than 41,5% and silica levels lower than 2,7%. Currently, this company is finalizing the technical studies before the start of the construction of the facility.

#### Minerals and Mining Ltd.

The Company has secured an attractive bauxite license in the Makumre region in Sierra Leone. The historical data, the results of our initial exploration plan and the results of our study on potential logistical routes are all favorable. Therefore, a drilling campaign is planned for the last quarter of 2014 to further explore the deposit and develop a mining plan.

#### Kanabeam Zinc Ltd.

Kanabeam Zinc Ltd. holds an early stage ("green field") zinc license for which an environmental study is currently executed.

## 2. Steel

The Steel division is headed by Steelcom S.A.M. and consists of trading activities and resources development. This segment currently has no production activities.

### 2.1. Trading

Steelcom S.A.M. ("Steelcom"), the steel trading arm of the Group, is a renowned independent steel trader with a tradition spanning over 50 years of dedication to international commerce in the steel industry. Its core business consists of the world wide trading of steel and steel-making raw materials.

Through Steelcom, the Company is able to offer a complete and competitive value-added service by providing both importers and exporters worldwide with a secure platform to realize optimal results. Our team of managers and traders, throughout our global network of offices, grant the company a professional market knowledge and trading expertise.

Steelcom covers a wide range of steel-making raw materials (such as coal, metallurgical coke, iron ore, pig iron, hot briquetted iron (HBI) and direct reduced iron (DRI), semi-finished products (such as slabs and billets), and finished industrial steel products (such as long and flat finished steel products, from structural sections to high-value-added coated and pre-painted products).

This division's core strategy is combining local presence with dedicated supply chain management and risk assessment. The ongoing international expansion reflects Steelcom's objective to establish direct presence in all local markets in order to further diversify the product mix to a whole range of steel-making raw materials, semi-finished, and finished industrial steel products. Steelcom is actively seeking opportunities in upstream and downstream steel-related activities in the main markets around the world, which can increase the vertical integration of the company, enhance the profitability and reduce the exposure to risks.

Steelcom is headquartered in Monaco and operates from offices in Dubai, Spain, China, Taiwan, Australia, India, and the United States and through representatives in Brazil, Egypt and Turkey. Its supplier portfolio includes top first and second tier steel and raw materials producers across the world.

## B. Business performance

During the first half of 2014, the Company experienced the following effects:

- The Company's Operating Result for the first half year (2014: EUR 4.573 thousand – 2013: EUR 2.205 thousand) and the Company's Profit for the first half year (2014: EUR 1.399 thousand – 2013 EUR 937 thousand) have both increased significantly.

- The Company started its bond placement on the Frankfurt Stock exchange on 27 June 2013 (ISIN: DE000A1HLTD2), of which EUR 10.293 thousand was placed at 31 December 2013. In the first half of 2014 the Company successfully continued the placement and the bond is now fully placed. The bond supports the further growth of the Company and which will sustain the profitability of the Company.

- During the first half year of 2014 it was decided to divest and deconsolidate the 42% interest in Tamarix, due to economic non-performance and disputes with the co-shareholder. This is reflected in these half-year figures.

The table below provides a segmented overview of the Revenue and Gross margin of the Company:

| | **Revenue** | | **GM** | |
|---|---|---|---|---|
| EUR 1.000 | 2014<br>30-6-2014 | 2013<br>30-6-2013 | 2014<br>30-6-2014 | 2013<br>30-6-2013 |
| **Non-ferrous** | | | | |
| - Trading | 43.883 | 41.101 | 1.526 | 454 |
| - Production | 35.998 | 18.007 | 3.708 | 3.240 |
| **Total Non-ferrous** | **79.881** | **59.108** | **5.234** | **3.694** |
| **Steel** | | | | |
| - Trading | **92.525** | **60.227** | **4.039** | **2.996** |
| Other | 124 | 85 | 124 | 79 |
| **Total** | **172.530** | **119.420** | **9.397** | **6.769** |

The gross margin of the first half year of 2014 is 5,5% (first half year of 2013: 5,7%) and operating result increased to EUR 4,6 million compared to EUR 2,2 million in the first half of 2013.

The solvency at the balance sheet date (30 june 2014) is slightly lower than the balance sheet of 31 December 2013 with equity being 41,3% of balance sheet total (2013: 45,2%%).

# C. Outlook

## 1. General

The Company expects to continue to realize further growth in 2014. The orderbooks of both the Steel and the Non-Ferrous division look promising.

## 2. 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.

## 3. Employees

As over the last years, the Company will ensure that the organization remains lean in terms of headcount. Key management positions are filled in 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.

## D. Risks and uncertainties

The presentation of financial statements requires management to make estimates 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:

### 1. 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.

### 2. 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.

### 3. 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.

### 4. 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.

### 5. Other Risks

Other risks facing the Company include performance risk on off take 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.

# CONSOLIDATED FINANCIAL STATEMENTS

A. Consolidated balance sheet

B. Consolidated profit and loss account

C. Notes to the Half Year Report

# A. Consolidated balance sheet

Unaudited - (before appropriation of result)

| EUR 1.000 | 2014<br>30-6-2014 | 2013<br>31-12-2013 |
|---|---|---|
| **Assets** | | |
| **Non-current assets** | | |
| Property plant and equipment | 88.620 | 95.040 |
| Intangible fixed assets | 18.746 | 30.064 |
| Financial fixed assets | 3.533 | 3.922 |
| **Total non-current assets** | **110.899** | **129.026** |
| **Current assets** | | |
| Inventories | 29.625 | 22.629 |
| Receivables, prepayments and accrued income | 87.497 | 78.028 |
| Securities | 7.974 | 7.674 |
| Cash and cash equivalents | 13.702 | 10.371 |
| **Total current assets** | **138.798** | **118.701** |
| **Total assets** | **249.698** | **247.727** |
| **Equity and liabilities** | | |
| **Group Equity** | | |
| Share capital | 40.000 | 40.000 |
| Reserves and retained earnings | 43.057 | 42.542 |
| Equity attributable to the owners of the company | 83.057 | 82.542 |
| Non-controlling interest | 20.185 | 29.551 |
| **Total group equity** | **103.242** | **112.093** |
| **Non-current liabilities** | | |
| Borrowings | 44.000 | 26.407 |
| Deferred tax liabilities | - | 1.838 |
| **Total non-current liabilities** | **44.000** | **28.245** |
| Current liabilities and accruals | 102.455 | 107.390 |
| **Total current liabilities** | **102.455** | **107.390** |
| **Total equity and liabilities** | **249.698** | **247.727** |

# B. Consolidated profit and loss account

Unaudited

| EUR 1.000 | 2014<br>30-6-2014 | 2013<br>30-6-2013 |
|---|---|---|
| **Revenue** | **172.530** | **119.420** |
| Cost of sales | -163.133 | -112.652 |
| **Gross margin** | **9.397** | **6.769** |
| **Operating expenses** | | |
| Selling expenses | -1.297 | -991 |
| Administrative expenses | -3.528 | -3.573 |
| | **-4.825** | **-4.564** |
| **Operating result** | **4.573** | **2.205** |
| **Non-operating expenses** | | |
| Unrealized fair value changes | - | - |
| Financial income and expense | -3.174 | -1.268 |
| | **-3.174** | **-1.268** |
| **Result on ordinary activities before taxation** | **1.399** | **937** |
| Taxation on result on ordinary activities | - | - |
| **Result on ordinary activities after taxation** | **1.399** | **937** |
| **Consolidated result after taxation** | **1.399** | **937** |

## C. Notes to the Half Year Report

### 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 ultimate parent company is Monaco Resources Group S.A.M. in Monaco. This company holds interest in agricultural and energy sectors, supported by finance and logistics.

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.

### Consolidation principles

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 and results 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, to which amortization is charged based on the estimated useful life. The results of participations sold during the year are recognized until the moment of disposal.

### Basis of preparation

The consolidated financial statements are prepared according to the same accounting principles as the Annual Report 2013 with the exception of securities and taxation, which are both accounted for on an annual basis.

### Board of Directors

The Board of Directors consists of:

- Mr. Victor Carballo – Director and Chief Executive Officer
- Mrs. Pascale Younès – Director

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