



Half Year Report 2016

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Metalcorp Group B.V.
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DIRECTOR'S REPORT

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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. In order to improve the overview of the activities these divisions are divided into the following three sub-divisions: production, trading and resources development.

1. NON-FERROUS

1.1. PRODUCTION

BAGR BERLINER ALUMINIUMWERK GMBH

Since 1997, BAGR Berliner Aluminiumwerk GmbH ("BAGR") is a secondary aluminium producer with a capacity of 100.000 tons per year, making it the leading independent secondary slab producer in Europe.

We are operating this re-melting and casting plant in a historic industrial area situated in the north of Berlin. The company is highly efficient and meanly structured.

Our team of highly qualified employees provide cost-efficient solutions in the conversion of aluminium scrap into high quality aluminium slabs and is focused on a niche market in the European aluminium market: manganese and magnesium alloys.

CABLE RECYCLING INDUSTRIES S.L.

Cable Recycling Industries S.L. ("CRI") is a copper scrap recycler based near Bilbao, Spain. This Company converts copper cable scrap into high quality copper granulates. We are able to process a full range of electric cables from voltage power cables to simple electric cables found in household appliances and computers.

Our site's location provides an efficient basis to transport the copper granulates to major manufacturers of semi-finished copper and copper alloys products in Europe.

1.2. TRADING

Tennant Metals

Tennant Metals specializes in the physical supply of base metals in the form of refined metals, ores and concentrates.

We have a successful and proven track record in creating appropriate structures and solutions to supply our main customers. Through our international network, we aim to become a point of contact for all emerging and established mineral resource producers looking for a successful marketing outcome.

We are continuously adapting to the global environment by adjusting our market approach to secure new sources of supply and ensuring the best marketing of our products in various niche markets.

1.3. RESOURCES DEVELOPMENT

SOCIÉTÉ DES BAUXITES DE GUINÉE

Société des Bauxites de Guinée ("SBG") 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). The main objectives of this project are:

- To develop a bauxite mine feeding an alumina refinery and providing 3 million tonnes per annum of bauxite for export.
- To establish an alumina refinery with a capacity of alumina production of 1,6 million tonnes per annum.

In 2016, we received the mining concession, which will allow us to begin the construction of the refinery and start the production of alumina. In parallel, we will be able to plan the export of the bauxite.

MINERALS AND MINING LTD.

The Company has secured an attractive bauxite license in the Makumre region in Sierra Leone. Studies of a renowned consulting firm pointed out that multiple logistical routes are viable for the export of bauxite. These studies also pointed out that no fatal flaws are detected from an environmental, social, logistical and utility perspective that would block the further development of this project.

2. STEEL

2.1. TRADING

Steelcom

Steelcom is an independent steel trader with a tradition spanning over 50 years in the steel industry.

We are able to offer a complete and competitive value-added service by providing both importers and exporters with secure platforms in the field of trade finance, risk management, and logistic solutions.

The ongoing international expansion reflects Steelcom's objective to establish direct presence in more 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 risk.

Steelcom has employed from July 2016 onwards additional staff in Austria and Germany to expand its European steel trading business.

2.2. PRODUCTION

Nikolaïdis

Nikolaïdis Th. Bros. S.A. ("Nikolaïdis") is an established company that produces and extrudes pipes and hollow sections.

The company recently installed equipment in accordance with the latest technologies, resulting in a highly efficient production process and high-quality end product.

B. Business performance

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

EUR 1.000	Revenue		GM	
	HY 2016	HY 2015	HY 2016	HY 2015
Trading	182.347	223.377	10.511	8.392
Production	28.983	34.976	3.006	3.591
Other	-2.332	809	-546	-
Total	208.998	259.162	12.971	11.983

Revenue was EUR 208.998 thousand compared to EUR 259.162 thousand reflecting the historical lows in commodity prices in the last quarter 2015/first quarter 2016. Recent price recoveries in the second quarter 2016 will be reflected in the revenues of the second half of 2016. However, tonnages traded were generally up with ferrochrome being a very strong performer based on a 4 year off-take agreement concluded in the first half year 2016.

Based on better margins, the nominal GM increased from EUR 11.983 thousand to EUR 12.971 thousand in the first half of the year compared to the first half of 2015 despite the lower metals prices in the first quarter, proving again the risk-averse and robust business model being independent from commodity prices.

The solvency (total group equity divided by the balance sheet total) at the balance sheet date decreased from 42,3% in 2015 to 39,5% at 30 June 2016 mainly as a result of increased activity and higher utilization of self-liquidating trade finance. Trade Finance is utilized 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 45,4% at 30 June 2016.

C. Outlook

1. GENERAL

Although the commodity markets are currently in a downturn and prices have decreased significantly, the Company expects to realize further growth in 2016.

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 on the management level has been employed in order to secure and correspond to the growth of the activities.

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 statement of profit or loss
- B. Consolidated statement of financial position
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A. Consolidated statement of profit or loss

(unaudited - before appropriation of result)

EUR 1.000	HY 2016	HY 2015
Continuing Operations		
Revenue	208.998	259.162
Cost of sales	-196.027	-247.179
Gross profit	12.971	11.983
Operating expenses		
Selling expenses	-1.430	-1.917
Administrative expenses	-5.511	-4.747
	-6.941	-6.664
Operating profit	6.031	5.319
Non-operating expenses		
Unrealized fair value changes	-	-
Financial income and expense	-3.691	-3.512
Net finance cost	-3.691	-3.512
Profit before tax	2.340	1.807
Income tax expense	0	-
Profit from continuing operations	2.340	1.807
Profit	2.340	1.807

B. Consolidated statement of financial position

(unaudited - before appropriation of result)

EUR 1.000	30-6-2016	31-12-2015
Assets		
Non-current assets		
Property plant and equipment	120.392	116.113
Intangible fixed assets	29.889	29.889
Financial fixed assets	5.145	4.303
Total non-current assets	155.426	150.305
Current assets		
Inventories	24.965	17.880
Receivables, prepayments and accrued income	105.084	88.628
Securities	6.153	6.136
Cash and cash equivalents	7.248	9.517
Total current assets	143.450	122.161
Total assets	298.876	272.466
Equity and liabilities		
Equity		
Share capital	70.000	70.000
Reserves and retained earnings	21.801	19.768
Equity attributable to the owners of the company	91.801	89.768
Non-controlling interest	26.125	25.607
Total equity	117.926	115.375
Non-current liabilities		
Loans and borrowings	81.410	67.343
Deferred tax liabilities	1.840	1.839
Total non-current liabilities	83.251	69.182
Current liabilities and accruals	97.700	87.909
Total current liabilities	97.700	87.909
Total equity and liabilities	298.876	272.466

C. Notes to the Financial Statements

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.

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.

BASIS OF PREPARATION

The consolidated financial statements have been prepared according to the same accounting principles as the Annual Report 2014 with the exception of securities and taxation, which are both accounted for on an annual basis.

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.

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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.