

## **Fleurette Group Press Statement**

### **Fleurette Group responds to third Global Witness statement on KCC royalties**

Kinshasa, Democratic Republic of Congo, 3<sup>rd</sup> March 2017: Fleurette Group (“Fleurette”) notes the statement made by Global Witness, its third such statement in the past few weeks regarding the sale of royalties from Katanga’s KCC project by Gecamines to a Fleurette-owned entity, which again either misunderstands or ignores the basis economics of this deal which produced significant value for Gecamines and a loss to Fleurette. Once again, Fleurette is compelled to set the record straight and protect its reputation from Global Witness’ false allegations.

Global Witness continues to seek to criticize Fleurette over the matter of disclosure. Fleurette always discloses anything that is obligated to disclose.

#### **\$3billion in tax revenues for the DRC**

Fleurette finds it both regrettable that Global Witness did not see fit to offer any endorsement of the \$3 billion in tax revenue paid by the Mutanda and KCC assets since Fleurette’s initial involvement - both assets in which Fleurette was heavily invested but has now exited. Global Witness’ claim that its interests are in “the importance of DRC’s mining assets to its economy and the potential benefits from a well-run mining sector to the country’s development” clearly don’t extend to welcoming precisely that.

#### **Questionable calculations by Global Witness**

Fleurette has already identified a series of misleading errors, from the vindictive to the ignorant in Global Witness’ coverage of the KCC royalties issue. These errors include:

1. amateur, immature financial calculations that do not follow even the basic valuation techniques used by all professionals in this field, and the use of numbers that mislead their readers;
2. the failure to include further discounts (such as withholding tax payments) that are both obvious and important to value a royalty stream; and
3. failing to note AHIL’s royalty right will cease on 1 March 2019, as the under the terms of the original KCC JV Agreement between Katanga, Gecamines and KCC, Gecamines has to use the royalty to cover off a pre-existing Gecamines debt resulting in a loss to Fleurette.
4. Contrary to what Global Witness is seeking to imply, the DRC Government continues to be entitled to receive royalty payments for KCC and Mutanda irrespective of Fleurette.

#### **Fleurette EITI Reporting**

Fleurette confirms that all of its reporting to EITI is accurate and that GW is, once again, attempting to mislead and confuse and is misunderstanding the information at its disposal.

#### **Fleurette’s considerable loss**

As Fleurette has already made clear publicly, the DRC made a net profit from the deal, Fleurette a net loss. The transaction ultimately resulted in Gecamines safeguarding value for the DRC

economy and Fleurette making a considerable loss due to the subsequent collapse in commodity prices and suspension of KCC's operations. This is because Gecamines sold the royalty right before operations at KCC were suspended, meaning Fleurette had paid in full for a royalty stream that that ceased soon afterwards. While Fleurette was left unable to recoup its investment, Gecamines received full value for it.

Katanga has been a poor investment for Fleurette. As disclosed on 13th February 2017, with the sale of its equity stake in Katanga, Fleurette has realised a loss of \$190 million, in addition to the loss of the royalty deal. Yet these losses are never referred to by Global Witness, who seem determined to perpetuate the myth that Fleurette is able to generate positive returns on all its investments. This is evidently not the case.

### **Gecamines' Historic Loan**

As has already been disclosed by Fleurette, Gecamines was provided with a \$196million loan from Fleurette, which has been paid back in full. Global Witness have once again misunderstood and misinterpreted information in front of them. Gecamines gave payment directions to KCC to make the payments due to it direct to AHIL in partial-satisfaction of the historic loan. There is no question of anything "misleading". It is disappointing that Global Witness consistently choose to jump to conclusions and guess historic narratives rather than accept the veracity of previous transactions involving Fleurette, Gecamines and Glencore.

Global Witness continues to ignore these facts. Instead, it attempts to criticize a deal which demonstrably and unequivocally benefited both Gecamines and the DRC. Despite these continued unjustified attacks, Fleurette remains committed to investing in the DRC.

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**About Fleurette** - [www.fleurettegroup.com](http://www.fleurettegroup.com) / [LinkedIn](#) / [Twitter](#)

The Fleurette Group of Companies ("Fleurette") is an entrepreneurial business with significant investment in diverse sectors, including natural resources, infrastructure, agriculture and technology. Fleurette has substantial investments and operations in the Democratic Republic of Congo (DRC). The parent company of the group, Fleurette Properties Limited, is owned by Line Trust Corporation Limited strictly and solely as trustees of the Ashdale Settlement, a trust established in 2006 for the benefit of the family of Dan Gertler. Mr Gertler is a citizen and resident of Israel and the DRC (and honorary counsel to the DRC) and is committed to developing the country's natural resources and infrastructure, while investing in the Congolese people and their communities.

Fleurette has a proven track record of successful co-operation with diverse parties, including the DRC State-owned mining company Gécamines, and to date has brought more than USD \$7 billion of investment into the DRC, on top of its USD \$2 billion in private investment. As a

result, Fleurette's subsidiaries and partnerships support around 30,000 jobs in the DRC and are amongst the DRC's leading taxpayers, contributing significant revenues to the State.

Fleurette is also a major contributor to social development in the DRC through the Gertler Family Foundation (GFF) and through direct investment in social infrastructure. The GFF is the largest charitable organization in the DRC, funding more than 50 programs and projects across the DRC, which help tens of thousands of Congolese every year. These include rebuilding key hospitals, notably the Kisangani "Hospital du Cinquantenaire"; supporting the Operation Smile campaign in Lubumbashi and Kinshasa; rebuilding Blaise Pascal School in Lubumbashi; and supporting the Lubumbashi Zoo.