ANNUAL FINANCIAL REPORT
2018

Recylex

REGULATED INFORMATION

This 2018 Annual Financial Report is a non-official translation into English of the *Rapport Financier Annuel 2018* issued in French language and is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French law.

ANNUAL FINANCIAL REPORT 2018

(In accordance with Article L. 451-1-2 I of the French Monetary and Financial Code and Article 222-3 et seq. of the AMF's General Regulation)

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RESPONSIBILITY STATEMENT FOR THE ANNUAL FINANCIAL REPORT

I hereby certify that to the best of my knowledge the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of operation of Recylex S.A. and the companies included in the consolidation taken as a whole, and that the accompanying management report includes a fair review of the development and performance of the business, and the financial position of Recylex S.A. and the companies included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Sebastian RUDOW

Chairman and Chief Executive Officer

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

The shareholders of Recylex S.A. (hereinafter, the "Company" or "Recylex S.A.") have been convened to a Combined Shareholders' Meeting to hear the report on the activities of Recylex S.A. and its subsidiaries in the financial year to December 31, 2018 and to consider for approval the annual parent company and consolidated financial statements for that period.

The Statutory Auditors will present in their reports all the necessary information concerning the accuracy and fair presentation of the parent company and consolidated financial statements for that period.

In accordance with Article L. 225-37 of the French Commercial Code, Recylex S.A. reports in a specific section of this Report on information relating to corporate governance for financial year 2018 (section 2.9 of this Report).

Unless specifically stated otherwise, the Group's scope of consolidation as described in this Report is that which existed in financial year 2018, the reference period for the consolidated and corporate financial statements covered by this Report. In particular, this report does not take into account the impact of the deconsolidation of the various entities of the German sub-group in May 2020 following the placing of these entities under the protection of the German bankruptcy law.

1. THE RECYLEX GROUP

In this report, except where otherwise stated, the "Group" shall mean Recylex S.A. and those companies consolidated by it as defined in Article L. 233-16 of the Commercial Code.

The Recylex Group conducts its activities across eleven production sites in France and Germany and is a key player in the circular economy in Europe. Its main activities play a key role in exploiting the urban mine:

- Recycling of lead, mainly from scrap car and industrial batteries
- Recycling of zinc from electric arc furnace dust and from zinc scrap
- Recycling of plastic (polypropylene) from used battery casings and other industrial waste such as car parts and construction waste
- Production of high-purity special metals used primarily in the electronics sector, the optical industry and cutting-edge technologies

The Recylex Group was created in 1988 through the merger of the non-ferrous metals division of German company Preussag AG (now TUI AG) and French company Société Minière et Métallurgique de Peñarroya SA.

The Recylex S.A. parent company, whose registered and administrative offices are located in France, conducts two activities. It provides corporate services and operates a business processing scrap lead-acid batteries at two sites in France located at Escaudœuvres (Hauts de France region) and at Villefranche-sur-Saône (Auvergne-Rhône-Alpes region). Recylex S.A. is listed on Euronext Paris (ISIN: FR0000120388 – ticker: RX) and does not have any branch offices.

The scope of the Group's activities as described above has been deeply impacted by the post-closing events described in paragraph 1.4 "Significant events since the end of the financial year" below.

1.1. Market conditions and Group's business activities during FY 2018

- ***Metal prices in euros and €/$ exchange rates***

(€ per tonne)	2018 average	2017 average	*Change (%)*
Lead price	**1,895**	2,052	*-8%*
Zinc price	**2,468**	2,561	*-4%*

Source: London Metal Exchange 2019.

In 2018, the average lead price in euros fell by 8% relative to 2017, to reach €1,895. This decline was concentrated mainly in the second half of FY 2018, with the lead price dropping from an average of €2,029 in the first half of 2018 to an average of €1,765 in the second half. The average lead price stated in US dollars fell 3% in FY 2018 relative to FY 2017.

The average FY 2018 zinc price stated in euros was 4% lower than in FY 2017. This decline was concentrated mainly in the second half of FY 2018, with the zinc price dropping from an average of €2,699 in the first half of 2018 to an average of €2,244 in the second half. The average zinc price stated in US dollars rose 1% between FY 2017 and FY 2018.

The overall depreciation in the US dollar during 2018 accentuated the extent of the fall in lead and zinc prices stated in euros. The average euro/US dollar exchange rate rose by 4.6% from an average of $1.1295 in FY 2017 to an average of $1.1810 in FY 2018.

- ***Consolidated key figures***

In millions of euros	FY 2018	FY 2017	*Change*
Sales	**364.6**	450.3	*(85.7)*
Operating income/(loss) before non-recurring items	**(20.5)**	14.6	*(35.1)*
Net income	**(78.7)**	18.0	*(96.7)*

- ***Lead segment***

In millions of euros	FY 2018	FY 2017	*Change*
Consolidated sales	**236.2**	324.1	*(87.9)*
Operating income/(loss) before non-recurring items	**(24.3)**	7.3	*(31.6)*

The Lead segment's sales accounted for 65% of the Group's consolidated total in 2018. Consolidated sales totaled €236.2 million in FY 2018, down 27% compared to FY 2017.

FY 2018 lead production came to 104,600 tonnes compared to 122,600 tonnes in FY 2017. That represented a fall of 14.7% compared to FY 2017 against the backdrop of a reduction in battery purchases throughout 2018. The Group recycled 112,900 tonnes of scrap lead batteries in FY 2018, down close to 17,6% compared to the 137,000 tonnes it recycled in FY 2017.

Indeed, in 2018, the Lead segment's performance was mainly affected by:

- a lengthy scheduled shutdown at the Nordenham smelter in the first quarter of 2018 (for maintenance and to prepare for the connection of the existing (BSF) furnace to the new reduction furnace)
- the strong slowdown in production in the second quarter of 2018 as a result of the technical difficulties of the main BSF furnace due to its change of its operation mode following its connection with the new reduction furnace (commissioning began on June 28, 2018), which significantly lowered the main furnace's utilization rate
- the continued slowdown in the third and fourth quarters of FY 2018, despite some initial signs of improvement On December 29, 2018, the main (BSF) furnace was halted after advanced wear and tear was seen in the refractory bricks owing to its change in operation following on from the connection of the new reduction furnace and the associated technical difficulties. A decision was made to bring forward partially to January 2019 the major scheduled maintenance shutdown initially planned for the end of the second quarter of 2019. Lead production at the Weser-Metall GmbH smelter's two combined furnaces resumed on January 22, 2019
- to a lesser extent, the fall in lead prices (down 8%) in FY 2018 compared to FY 2017 also had an impact on the segment's performance

For all these reasons, the Lead segment recorded an operating loss before non-recurring items of €24.3 million in FY 2018 compared to an operating income of €7.3 million in FY 2017. The steep deterioration in profitability was chiefly attributable to:

- the impact on profitability of the slowdown in production and contraction in the segment's sales. The technical difficulties arising from the adjustments needed to connect the main (BSF) furnace to the new reduction furnace caused a substantial reduction in the main furnace's utilization rate. As a result, in addition to the sales shortfall caused by lower lead production, the smelter's performance was held back by a steep fall in the volume of materials smelted in the furnace and thus a reduction in income related to these materials ("treatment charges received"), and also by smaller premiums on the lead sales by the Weser-Metall GmbH smelter. The total impact of this slowdown came to €10 million in FY 2018
- this negative volume effect has been offset up to €5.0 million by the reduction of slag materials sold making lower treatment charges paid compared to 2017;
- a negative €12.2 million price effect arising on the smelter's purchases used compared to sales and the treatment charges received and paid
- costs arising from the scheduled shutdown at the Nordenham smelter (around €5 million) in the first quarter of 2018 for maintenance and to prepare for the connection of the existing (BSF) furnace to the new reduction furnace
- an increase of €3.8 million compared to FY 2017 in staff costs at Weser-Metall GmbH's smelter as a result of the smelter's new production configuration, with the commissioning of the new reduction furnace
- a €4.6 million reduction in result of the scrap battery processing activity due to the strong decrease in volumes of processed scrap lead batteries in FY 2018 compared to FY 2017.

Given the technical difficulties encountered in 2018, the smelter's current performance and thus the less favorable outlook than initially anticipated in this segment, the Group has taken an asset impairment loss of €42.3 million in the 2018 consolidated financial statements.
The technical changes schedule to be made during the 2019 maintenance shutdown are intended to increase the smelter's availability rate during the second half of 2019.

- ***Zinc segment***

In millions of euros	FY 2018	FY 2017	*Change*
Consolidated sales	**96.3**	**98.4**	*(2.1)*
Operating income/(loss) before non-recurring items	**11.7**	**16.4**	*(4.7)*

Zinc sales accounted for 26% of the Group's consolidated total in FY 2018. Consolidated sales totaled €96.3 million in FY 2018, down 2% compared to FY 2017.

With 180,500 tonnes of electric arc furnace dust processed (vs. 178,200 tonnes in FY 2017), Waelz oxide production at the Group's two plants (Harz-Metall GmbH in Germany and 50%-owned Recytech SA in France), totaled 74,270 tonnes in FY 2018, up from 73,270 tonnes in FY 2017. That represented a 1% increase largely owing to a favorable base of comparison, which offset the impact of the fall in zinc prices in FY 2018 compared to FY 2017. The Harz-Metall GmbH plant did not carry out any scheduled maintenance shutdowns in FY 2018 (one shutdown in the first half of FY 2017).
In addition, with 23,000 tonnes of waste recycled (compared to 22,700 tonnes in FY 2017), zinc oxide production at the Norzinco GmbH subsidiary in Germany totaled 24,500 tonnes in FY 2018, up 3% compared to FY 2017.

The operating income before non-recurring items for this segment in FY 2018 stood at €11.7 million, a substantial decrease compared to the €16.4 million recorded in FY 2017.
Amid the decline in zinc prices during FY 2018 (down 4% compared to 2017), the Zinc segment's business performance deteriorated in FY 2018 compared to FY 2017 owing to the high sensitivity of its performance to zinc prices, particularly that of the dust recycling business, and higher scrap zinc prices, which cut into Norzinco GmbH's margins.

- ***Special Metals segment***

In millions of euros	FY 2018	FY 2017	*Change*
Consolidated sales	**19.2**	14.2	*5.0*
Operating income/(loss) before non-recurring items	**0.2**	(1.9)	*2.1*

Special Metals sales contributed 5% of the Group's consolidated total in FY 2018. PPM Pure Metals GmbH generated sales of €19.2 million in FY 2018, surging 35% higher from €14.2 million in FY 2017.

The business received a boost from its sales and marketing initiatives, including efforts to promote "dopants" for silicon wafers, an area in which PPM Pure Metals GmbH is expanding. Arsenic sales volumes rose sharply, more than making up for the unfavorable pricing trends. Performance in germanium was underpinned by higher sales volumes and selling prices.

The segment's operating performance before non-recurring items reached breakeven point in FY 2018, compared to a loss of €1.9 million in FY 2017.
In a more supportive environment during 2018, this improvement reflected firm arsenic sales volumes, sales and marketing initiatives to turn around margins on germanium sales, measures to diversify the metals portfolio and tight cost management.

- ***Plastics segment***

In millions of euros	FY 2018	FY 2017	*Change*
Consolidated sales	**12.9**	13.6	*(0.7)*
Operating income/(loss) before non-recurring items	**(0.7)**	0.1	*(0.8)*

The Plastics segment's sales came to €12.9 million in FY 2018, down 5% compared to FY 2017. Recycled polypropylene production amounted to 12,500 tonnes, down 6% on the 13,260 tonnes recorded in FY 2017.

Business was again heavily affected by the reduced competitiveness of recycled materials compared to virgin polypropylene and by weak demand from the automotive sector, especially in Germany. As a result, the segment's operating loss before non-recurring items came to €0.7 million in FY 2018, compared to a breakeven performance (€0.1 million) in FY 2017.

1.2. Other key developments and major events

1.2.1. Main ongoing litigation involving Recylex S.A.

The document summarizing the ongoing litigation involving Recylex SA is., updated on June 8, 2020, is available on the Recylex Group's website: *www.recylex.eu* - *Finance section* - *Legal proceedings schedule*. Developments in the main ongoing proceedings during FY 2018 and since are presented hereinafter.

1.2.1.1. Former employees of Metaleurop Nord SAS

a) 2010: Claims for damages for dismissal without fair cause and/or for the prejudice of anxiety and breach of a safety obligation

In 2013, the Lens Labor Court ruled that Recylex S.A. was a co-employer of 187 former employees and decided to add damages totaling around €7.1 million to Recylex S.A.'s liabilities under the continuation plan, for which provisions were set aside in Recylex S.A.'s financial statements. Recylex S.A. appealed those decisions, thereby suspending their application.

The Lens Labor Court also ruled in 2013 that Recylex S.A. was a co-employer of six protected former managerial employees, but found that the Lens Labor Court did not have jurisdiction to examine their claims owing to the principle of the separation of judicial and administrative powers. Following the appeal lodged by these protected former employees against the first-instance rulings, the Douai Appeal Court upheld them in rulings on February 21, 2014.

On January 31, 2017, overturning the 187 decisions made by the Lens Labor Court in 2013, the Douai Appeal Court refused to consider Recylex S.A. as the co-employer of the claimants, but nevertheless considered that Recylex S.A. had committed a fault that had caused harm to the former employees of Metaleurop Nord SAS. It therefore ordered Recylex S.A. to pay an amount of between €15,000 and €53,000 to each of the 187 former employees of Metaleurop Nord SAS to compensate them for their loss of a chance to keep their jobs, along with €400 in costs, making a total principal amount of €7,759,800. On December 1, 2017, all the principal amounts and interest due pursuant to these decisions were paid out by Recylex S.A., which lodged an appeal against these decisions before the Cour de Cassation.

On May 24, 2018, the Cour de Cassation:
(i) dismissed the appeal lodged by the former employees aimed at challenging the refusal by the Douai Appeal Court to consider Recylex S.A. as their co-employer, and
(ii) reversed and canceled the decisions of the Douai Appeal Court to the extent that they had ordered Recylex S.A. to pay damages to the former employees for loss of the opportunity to remain in employment, referring these cases to the Amiens Court of Appeal to rule on this point.

As a reminder, 91 of the aforementioned 187 claimants had filed additional claims with the Douai Appeal Court for damages for anxiety and breach of a safety obligation, in a total amount of €5.6 million (of which part is provisioned in Recylex S.A.'s financial statements). On January 31, 2017, the Douai Appeal Court decided to stay the proceedings concerning the claims for damages pending the outcome of the ongoing administrative proceedings regarding the addition of the Metaleurop Nord site in Noyelles-Godault to the list of facilities entitling asbestos workers to early retirement benefits ("ACAATA benefits"). In connection with these proceedings, the Douai Administrative Appeal Court decided in a now definitive ruling on March 2, 2017 that the order adding the site to the list had to be repealed, and a ministerial decree was issued to this end on December 19, 2017 (see section 1.2.1.3 below). The next hearing before the Douai Court of Appeal, concerning the claims made by the 91 former employees for anxiety prejudice and breach of a security obligation, has been set to November 24, 2020.

b) 2013-2017: 455 claims for damages in respect of the prejudice of anxiety and/or breach of a safety obligation and/or disputing dismissal in a total amount of €26.5 million, for which provisions of €3.4 million were set aside.

On October 14, 2016 and October 18, 2016, without waiting for the final outcome of the administrative proceedings regarding the classification of the Noyelles-Godault site on the list of facilities giving an entitlement to ACAATA benefits, and although it had been informed that the Conseil d'Etat had overturned the classification ruling of July 21, 2015 (see section 1.2.2.3), the Lens Labor Court decided to order Recylex S.A. to pay damages to 97 former employees represented by the CGT union, in an amount of between €3,000 and €24,000 each, along with €500 under article 700 of the Civil Procedure Code, making a total of €1,213,500. Recylex S.A. appealed these decisions, which suspended their enforcement. Conversely, claims from seven former non-protected employees were rejected, but two of them appealed.

The Douai Appeal Court overturned on June 29, 2018 the Lens Labor Court rulings of October 14 and 18, 2016 and found that the damages for the prejudice of anxiety can be granted only to former employees of a plant included on the list of facilities eligible for the ACAATA and that Recylex S.A. was never included on such list. The Company thus reversed the provision it had set aside to cover the risk (see Note 2.6 to the 2018 parent company financial statements). 88 former employees have appealed to the Cour de cassation against these decisions by the Douai Appeal Court.

On January 29, 2020, the Court of Cassation has rejected the appeals lodged by 88 former employees, thus making the June 29, 2018 Douai Appeal Court's decisions definitive.

Regarding the claims made by 333 other protected and unprotected former employees of Metaleurop Nord S.A.S.:

- The next hearing before the Lens Labour Court (Management section) concerning the claims made by 39 former employees for an initial total amount claimed of approximately €2.5 million, initially scheduled for April 14, 2020, has been postponed sine die due to the SARS-CoV-2 pandemic. In the latest state of this procedure, the claims amounted to a total of approximately €1.2 million;
- The decisions of the Lens Labor Court (Industry section) concerning the claims made by 294 former employees for an initial total amount of approximately €18.5 million, initially expected to be held on April 24, 2020, were postponed sine die due to the SARS-CoV-2 pandemic. In the latest state of this procedure, the claims amounted to a total of approximately €9.2 million

However, in all of these cases, the 333 former employees of Metaleurop Nord S.A.S. sought, an exclusive condemnation against Metaleurop Nord S.A.S. and, as a result, held harmless Recylex S.A.'s case.

Concerning claims for damages for the prejudice of anxiety brought by 13 former employees of Metaleurop Nord SAS represented by the CGT union, on March 30, 2018, the Lens Labor Court decided to order Recylex S.A. to pay each of them an amount between €4,000 and €20,000 as damages, along with €500 under article 700 of the Civil Procedure Code, totaling €186,500. Recylex S.A. lodged an appeal these decisions, thereby suspending their enforcement. The next hearing before the Douai Court of Appeal is scheduled for September 15, 2020.

Finally, following the decisions of the Conseil d'Etat of February 7, 2018 and April 13, 2018, which definitively rejected their application for cancellation of the dismissal authorizations granted by the Labour Inspectorate as part of the compulsory liquidation of Metaleurop Nord S.A.S., 15 former protected employees of Metaleurop Nord S.A.S. withdrew their action against Recylex S.A. before the Lens Labour Court to contest their dismissal.

1.2.1.2. Application by Recylex S.A. to be joined to proceedings against the cancellation of the dismissal authorizations concerning former protected employees of Metaleurop Nord SAS

The claims for damages for losses arising from cancellation of the dismissal authorization (see paragraph 1.2.1.1. b)) are related to the administrative proceedings commenced by former protected employees to cancel authorization of their dismissal. Since Recylex S.A. had never been called to appear or represented in connection with this administrative procedure, it applied in January 2015 to be joined to the proceedings being heard by the Douai Administrative Appeal court with a view to overturning this cancellation by the Lille Administrative Court on October 2, 2013.

The Conseil d'Etat decided on February 7, 2018 and April 13, 2018 to overturn the December 31, 2015 ruling by the Douai Administrative Appeal Court and the decision by the Lille Administrative Court of October 2, 2013, confirming the validity of the dismissal authorizations for these former protected employees in 2003.

1.2.1.3. Application by Recylex S.A. to set aside a judgment adversely affecting its interests concerning the interministerial orders of November 5, 2013 and March 2, 2016 adding the Metaleurop Nord SAS facility in Noyelles-Godault to the list of asbestos manufacturing, flocking and insulating plants entitling asbestos workers to early retirement benefits ("ACAATA benefits")

The aforementioned claims for damages for the prejudice of anxiety and/or disruption to livelihood and/or breach of a safety requirement are connected with the administrative proceedings initiated in 2003 by Chœurs de Fondeurs (association of former employees of Metaleurop Nord SAS) aimed at classifying the Metaleurop Nord SAS facility in Noyelles-Godault on the list of asbestos manufacturing, flocking and insulating plants giving an entitlement for ACAATA benefits.

On May 13, 2013, the Douai Administrative Appeal Court (i) overturned the ruling of the Lille Administrative Court of July 4, 2012 upholding the decision made on December 23, 2009 by the French labor ministry refusing to add the Metaleurop Nord SAS facility to the list of asbestos manufacturing, flocking and insulating plants, and (ii) ordered the French ministry of labor, employment, professional training and social dialog to add said facility to the list of those giving an entitlement to ACAATA benefits for the period between January 1, 1962 to December 31, 1996. An interministerial order was made on November 5, 2013 for that purpose.

Since Recylex S.A. had never been asked to appear or represented in connection with this administrative procedure, it submitted an application to set aside a judgment adversely affecting its interests to the Douai Administrative Appeal court related to the latter's May 13, 2013 ruling and an application to the Lille Administrative Court to repeal the aforementioned interministerial order classifying the facility.

On July 21, 2015, the Douai Administrative Appeal Court confirmed the addition of the Metaleurop Nord SAS site in Noyelles-Godault to the list of those eligible for the ACAATA allocation. However, it shortened the eligibility period from January 1, 1962 until December 31, 1989, rather than until December 31, 1996, as was previously the case. On March 2, 2016, an interministerial order amending the order of November 5, 2013 was issued for that purpose, and Recylex S.A. brought proceedings before the Lille Administrative Court seeking the annulment of this new classification-related interministerial order.

On June 27, 2016, pursuant to the proceedings brought by Recylex S.A., the Conseil d'Etat canceled the order by the Douai Administrative Appeal Court of July 21, 2015 insofar as it related to Metaleurop Nord SAS' site in Noyelles-Godault being classified on the list of facilities giving an entitlement to ACAATA benefits for the period from January 1, 1962 to December 31, 1989. The matter was referred back to the Douai Administrative Appeal Court, with a differently constituted bench, which was to re-examine it and make a decision about both the admissibility and merits of the classification request.

On March 2, 2017, the Douai Administrative Appeal Court ruled in Recylex S.A.'s favor and decided to:

- Declare its order of May 13, 2013 null and void
- Dismiss the application submitted by the Chœurs de Fondeurs association
- Enjoin the French ministry of labor, employment, professional training and social dialog to repeal, within two months of notification of that order, the order of November 5, 2013 placing Metaleurop Nord's facility at Noyelles-Godault on the list of facilities giving an entitlement to ACAATA benefits.

Since the order became definitive, and the application by the Chœurs de Fondeurs association was not admitted by the Conseil d'Etat, a ministerial order repealing the classification orders of November 5, 2013 and March 2, 2016 was issued on December 19, 2017. On February 19, 2018, an application for annulment of this ministerial decree of December 19, 2017 was lodged by two former employees of Metaleurop Nord SAS, as well as a new request for the classification of the Noyelles-Godault site. On June 26, 2019, the Lille Administrative Court repeal the action for annulment against the inter-ministerial Decree of December 19, 2017.

1.2.1.4. Liquidators of Metaleurop Nord SAS

a) Proceedings for damages against the liquidators

On March 19, 2013, Recylex S.A. commenced proceedings to claim around €22 million in damages before the Béthune Regional Court against the liquidators of Metaleurop Nord SAS for the loss that Recylex S.A. had suffered on account of the fault committed by the liquidators in connection with the dismissals of the former Metaleurop Nord SAS employees, which led to damages being paid by Recylex S.A. to over 550 former employees of Metaleurop Nord SAS. As a reminder, these damages were paid to remedy their dismissal without fair cause in the absence of any efforts to find them other suitable employment within the group.

On September 18, 2018, the Béthune Regional Court rejected Recylex S.A.'s claim for damages and found that the Metaleurop Nord SAS' liquidators had indeed made a mistake, in their personal capacity, by not fulfilling their legal duty to look for other suitable employment during the economic redundancy procedure in 2003 for the former Metaleurop Nord SAS employees, but that the liquidators should be exonerated in respect of two-thirds of the corresponding loss, insofar as the legal deadline of 15 days imposed on the liquidators to make the redundancies was considered as incompatible with their statutory duty to look for other suitable employment. The Court also held the liquidators harmless from their liability on the grounds that Recylex S.A. itself would have been obliged to look for other suitable employment.

Considering that both the Court's grounds for exonerating liquidators were totally unfounded in its opinion, Recylex S.A lodged an appeal against this decision. The next hearing before the Douai Court of Appeal has been set for October 22, 2020.

b) Claim for damages against Recylex S.A.

On October 17, 2014, the liquidators of Metaleurop Nord SAS summoned Recylex S.A. to appear before the Arras Commercial Court with a view to its being ordered to pay a total principal amount of around €22 million (not provided for in the financial statements), which corresponds to the statutory severance pay, pay in lieu of notice period, paid leave, employers' payroll charges and salaries paid to the former Metaleurop Nord SAS employees by the AGS salary guarantee fund regime.

On April 11, 2018, the Arras Commercial Court ruled in favor of Recylex S.A. It found the claim filed by the liquidators of Metaleurop Nord SAS was inadmissible because the claim was time-barred from March 21, 2013 on the one hand and because their alleged claim arose prior to the commencement of Recylex S.A.'s judicial recovery procedure but was not declared on the list of liabilities, on the other hand.

The liquidators lodged an appeal against this decision. The pre-trial hearing for the scheduling of the hearing for pleadings before the Douai Appeal Court has been set to June 25, 2020.

No provision was set aside in Recylex S.A.'s financial statements in relation to these proceedings.

1.2.1.5. European Commission fine

On June 24, 2015, the Directorate General for Competition of the European Commission sent a statement of objections to Recylex S.A. and its subsidiaries purchasing scrap lead batteries, following an inquiry that started in 2012 regarding anti-competitive practices in the purchasing of scrap lead car batteries.

On February 8, 2017, the European Commission decided to award a fine to several European companies involved in the cartel. That included a fine of €26.7 million for Recylex S.A. and its subsidiaries that purchased scrap lead car batteries between 2009 and 2012. The fine included a 30% reduction applied by the European Commission under its 2006 Leniency Notice and was set aside in the Recylex S.A.'s financial statements for the year ended December 31, 2016. Recylex and its relevant subsidiaries decided to appeal against this decision.

During the second quarter of 2017, after discussions involving all the relevant parties, the European Commission agreed in May 2017 to the staggered payment plan proposed by Recylex S.A., which includes the payment of the fine by Recylex S.A. (the Group's parent company) and the deferral, on a medium- to long-term basis, of the payment of a sizable proportion of the fine. Under that agreement, Recylex S.A. is paying the fine (principal and interest) according to the timetable set out in the staggered payment plan.

On May 23, 2019, the General Court of the European Union rejected the appeal lodged by Recylex S.A. and its subsidiaries against the decision of the European Commission of February 8, 2017.

On July 23, 2019, Recylex S.A. lodged an appeal against this decision before the Court of Justice of the European Union, limited to points of law.

1.2.1.6. Claim for damages brought by SNCF Réseau concerning the L'Estaque site

On May 7, 2018, Recylex S.A. announced that SNCF Réseau, a public industrial and commercial institution, had filed a claim in the Marseille Administrative Court to have Recylex S.A. and RETIA SASAU jointly ordered to pay the entire amount necessary for the "complete refurbishment" of the publicly owned rail assets in the L'Estaque section in Marseille.

SNCF Réseau currently assesses the total cost of the works at €70 million encompassing:

- repair work on the entire Tunnel des Riaux and the Tunnel du Rio Tinto at a cost of €17.1 million and €33.4 million respectively
- the demolition and reconstruction of the Viaduc de Vauclair viaduct (€11.4 million) connecting these two tunnels on land belonging to SNCF, which has never housed any industrial installation
- replacement of the track and ballast in these tunnels and on this viaduct (€8.1 million)

Part of the Tunnel des Riaux is located on 15 hectares of land currently undergoing remediation that belongs to Recylex S.A., and the Tunnel du Rio Tinto is located below a (33-hectare) plot of remediated land that belongs to RETIA SASAU.

To recap, the SNCF Miramas-l'Estaque rail line, which was completed in 1915, is more than a century old and was built after the beginning of the industrial operations at the L'Estaque site overlooking it, by Rio Tinto from 1883 and then by Société des Produits Chimiques de Marseille (SPCM) between 1890 and 1914.

Previously in 2001, SNCF had requested a survey of alleged damage, without any effort to establish liability, by an expert appointed by the Marseille Administrative Court, which failed to find any link between the state of the SNCF rail infrastructure and the former industrial installations on the land above.

Recylex S.A. is surprised by this legal proceeding, launched before the same court more than ten years after the expert's report was prepared. Recylex S.A., which has not set aside any provisions to cover the associated risks in its financial statements (see Note 38), intends to defend itself vigorously against this claim and to protect its interests in these proceedings. In its opinion, the aim of this claim is to have the last industrial operators of the L'Estaque site pay for the cost of refurbishing a dilapidated rail line.

1.2.2. Group's projected cash position (as at December 31, 2018)

1.2.2.1. Recylex S.A.'s cash position

At December 31, 2018, the Recylex SA's parent company improved slightly to €0.9 million in available cash, compared to €0.4 million at December 31, 2017. The Company has prepared cash forecasts based on the information currently available, including forecast expenditures relating to its commitments for the remediation of former mining sites and its L'Estaque site, and repayments linked to the payment of the fine handed down to Recylex SA and its subsidiaries by the European Commission in 2017.

To recap, Recylex S.A. concluded:

- In 2014, Recylex SA entered into a loan agreement for a maximum amount of €16 million with Glencore International AG to finance the final repayments under the continuation plan. At December 31, 2018, the Company had drawn down the full amount of this loan. Under the staggered payment plan for the European Commission's fine, the repayment date for this loan was rescheduled to 2024. Full details of this loan agreement are provided in Notes 32.5.1.2 and 39 of the 2018 consolidated financial statements.
- an agreement was reached in 2017 with the European Commission for the staggered payment of the €26.7 million fine.

Since the search for financing or specialized partnerships dedicated specifically to remediation works at the L'Estaque site launched in 2013 came to nothing, Recylex SA continued the remediation works at the L'Estaque site in 2018 at a cost of €3.1 million.
The total cost of the work yet to be performed was fully covered by €8.8 million in provisions at December 31, 2018, and Recylex SA will bear the cost by using its own capital.

Drawings in FY 2018 on the equity line arranged with Kepler Cheuvreux in December 2016 generated net cash flow of €2.5 million through the issue of 250,000 new shares in FY 2018. The equity line was suspended since the 30 of July 2018 and expired on December 31, 2018.

The impact of the Group's German operations on Recylex SA's financial position and the risks facing parent company Recylex SA are presented in Notes 32 and 39.

1.2.2.2. Group cash position and external financing

Cash flow generated by the Group's operating activities before non-recurring items increased compared to the previous financial year. It again held up at €4.3 million in positive territory, compared to €0.9 million in FY 2017. Despite the significant decline in the EBITDA generated in the Lead segment, the overall decline was not very large as a result of a very steep reduction in the Group's working capital requirement (down €15.1 million), chiefly at the Nordenham plant.

Cash flow from operating activities amounted to €7.1 million in FY 2018, compared to an outflow of €5.7 million in FY 2017. This positive cash flow reflected:

- the €10.4 million in dividends from associates
- €4.6 million in site remediation costs, chiefly from the ongoing remediation work at the L'Estaque site
- payments of €1.4 million to the European Commission under the staggered payment plan for the fine handed down on February 8, 2017.

The improvement in cash flow from operating activities was due in particular to an increase in dividends from associates in FY 2018 compared to the previous year. It had been adversely affected in FY 2017 by Recylex SA's €8.2 million compensation payment (principal and interest) to 187 former employees of Metaleurop Nord SAS, pursuant to the rulings handed down by the Douai Appeal Court on January 31, 2017.

Cash flow from investing activities came to €25.1 million in FY 2018, down from €36.6 million in FY 2017 owing chiefly to €17.2 million in capital expenditures at the Nordenham lead smelter related to the construction of the reduction furnace and the smelter's new configuration.

Cash flow from financing activities came to €20.1 million in FY 2018, down from €39.8 million in FY 2017. This largely reflected:

- the €15.4 million drawdown on the available bank borrowings arranged in December 2016
- drawdowns totaling €16 million on two loans arranged with Glencore International AG as part of the financing secured in December 2016
- €5.2 million in repayments of the German borrowings
- €9.4 million in interest expense
- an aggregate €3.3 million increase in Recylex SA's share capital through the issue of new shares, including under the equity line

Taking all these items into account, the Group's net cash position as at December 31, 2018, after deducting the credit lines used, totaled negative €7.4 million compared to negative €9.5 million at December 31, 2017.

The Group's gross cash position rose slightly to €6.4 million at December 31, 2018 from €5.5 million at December 31, 2017. At December 31, 2018, the Group had used all the available credit lines, that is a total of €13.8 million (vs. €15.0 million at December 31, 2017).

Net debt *in thousands of euros*	***December 31, 2018***	***December 31, 2017***	***Change***
Cash	6,352	5,546	806
Total assets	**6,352**	**5,546**	**806**
Non-current financial liabilities	16,000	42,214	(26,214)
Current financial liabilities	73,545	22,325	51,220
Other non-current liabilities *(1)*	32,999	33,646	(647)
Other current liabilities *(1)*	1,287	1,055	232
Total liabilities	**123,831**	**99,241**	**24,590**
Net debt[1]	**117,479**	**93,695**	**23,784**

(1) Liabilities related to the European Commission fine, the clawback clause and the rescheduled liabilities from the continuation plan.

The Group's net debt[2] totaled €117.5 million at December 31, 2018, compared to €93.7 million at December 31, 2017. This increase chiefly derives from:

- the €15.4 million drawdown on the bank borrowings arranged in Germany in December 2016 for the German sub-group, predominantly to finance construction work on the Lead segment's new reduction furnace, which was partially offset by a €5.2 million repayment in 2018
- the drawdown of two loans by Weser-Metall GmbH and by Recylex GmbH from Glencore International AG for a total amount of €16 million as provided for in connection with the financing arranged in December 2016

Beyond the €16 million borrowings granted by Glencore International AG as detailed here above, the Weser-Metall GmbH subsidiary benefited from a working capital facility up to €9 million throughout the year 2018, which result in the full use of the €25 million financing package granted by Glencore International AG as part of the December 2016 financing agreement. Taking into account this working capital facility, the Group's net debt is increased by €9 million totaling €126.5 million as at December 31, 2018.

Business volumes were badly affected by the technical difficulties encountered because of the Nordenham lead smelter's new production configuration in 2018, which led to a sub-par financial performance.
Accordingly, the German sub-group:

- fell short of its performance target for 31, 2018 as stipulated in the financing agreement entered into in December 2016 and revised in September 2018
- was unable to make the scheduled repayment on December 31, 2018

The financial projections prepared in December 2018 and updated in January 2019 point to an additional €27 million borrowing requirement for the German sub-group in FY 2019. These projected financing requirements specifically include:

- a total amount of around €18 million in capital expenditures required for technical improvements at the Nordenham smelter and for the continued operation of the German sub-group
- the German sub-group's operational working capital requirements necessary to safeguard its ability to continue operating as a going concern.

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[1] *Excluding contingent liabilities (see Note 30)*
[2] *The Group's net debt includes interest-bearing borrowings and other liabilities (Note 18), the European Commission fine, the rescheduled liabilities, and the clawback clause, less available cash.*

Against this backdrop, the Group commenced further discussions with all the German sub-group's financial partners in December 2018. The aim of the talks was to adjust the financing arrangements agreed by the Group's German sub-group in December 2016 (amended in September 2018) to its current and projected cash generation.

In 2018, the Group has requested Glencore International AG to cover this financing requirement for 2019. On February 7, 2019, a bridge financing for 10 million euros with a maturity date of March 31, 2019 was put in place to allow the finalization of the global refinancing agreement which has been scheduled for May 2019.

The insufficient evolution of the operating performance of the Nordenham lead smelter, the deterioration of metal prices on the market and the significant decrease in treatment charges have led to additional financing needs in 2019 covered by bridge financing granted by Glencore International AG.

The post-closing evolution of the restructuring of the German sub-group's debt is presented in Note 39 "Subsequent events" to the consolidated financial statements at December 31, 2018, as well as in paragraph 1.4 "Significant events since year-end" of this report.

1.3. Group results

Pursuant to EC Regulation no. 1126/2008 adopted on November 3, 2008, the Recylex Group has prepared its consolidated financial statements for the year ended December 31, 2018 in accordance with the International Financial Reporting Standards (IFRS) as adopted for use in the European Union.

Recylex posted an operating loss before non-recurring items of €20.5 million in FY 2018, compared to income of €14.6 million in the previous financial year.
This deterioration in the Group's operating performance before non-recurring items was chiefly attributable to:

- The very steep fall in the Lead segment's operating performance before non-recurring items, prompting it to record a loss of €24.3 million compared to income of €7.3 million in FY 2017
- The drop in the Zinc segment's operating income before non-recurring items to €11.7 million from €16.4 million in FY 2017, as a result of the high sensitivity of the segment's performance to the fall in zinc prices over the period (down 4%) and the higher cost of purchasing zinc-bearing waste in the zinc oxides business
- The Plastics segment's operating loss before non-recurring items of €0.8 million, compared to income of €0.1 million in FY 2017
- The Special Metals segment's encouraging performance, since it posted income of €0.2 million after a loss of €1.9 million in FY 2017 thanks to a successful sales and marketing campaign

The slump in the Lead segment's operating performance before non-recurring items to a loss of €31.6 million amid the 8% drop in lead prices stated in euros was chiefly attributable to:

- The impact on profitability of the slowdown in production and contraction in the segment's sales The technical difficulties arising from the adjustments needed to connect the main (BSF) furnace to the new reduction furnace caused a substantial reduction in the main furnace's utilization rate. As a result, in addition to the sales shortfall caused by lower lead production, the smelter's performance was held back by a steep fall in the volume of materials smelted in the furnace and thus a reduction in income related to these materials ("treatment charges received"), and also by smaller premiums on the lead sales by the Weser-Metall GmbH smelter. The total impact of this slowdown came to €10 million in FY 2018
- A €7.2 million price effect arising on purchases used by the smelter and the treatment charges received and paid
- Costs arising from the scheduled shutdown at the Nordenham smelter (around €5.1 million) in the first quarter of 2018 for maintenance and to prepare for the connection of the main BSF furnace to the new reduction furnace
- An increase of €3.8 million compared to FY 2017 in staff costs at Weser-Metall GmbH's smelter as a result of the smelter's new production configuration, with the commissioning of the new reduction furnace
- A €4.6 million margin reduction in the scrap battery processing business owing to higher scrap lead battery prices in FY 2018 compared to FY 2017.

The main factors contributing to the FY 2018 net loss of €78.7 million recorded by Recylex were:

- An operating loss before non-recurring items of €20.5 million
- The €44.7 million in other net non-recurring operating expense arising mainly from a €42.3 million impairment loss on Weser-Metall GmbH's assets[3] and €2.1 million in remediation costs at former industrial sites
- The €9.5 million share in income from associates
- €11.4 million in net financial expense compared to net expense of €9.9 million in FY 2017, comprising:
    - €10.0 million in interest expense, up €3.7 million compared to FY 2017 owing to the increase in debt

[3] *See Notes 5 and 25 to the consolidated financial statements at December 31, 2018*

- €1.4 million in other net financial expense consisting primarily of €1.2 million in factoring costs and €0.3 million reflecting the change in the fair value of derivatives at the end of the financial year
- €11.7 million in tax expense, of which €7.2 million consisting of deferred tax assets in tax loss carryforwards and 4.5 million in deferred tax assets on temporary differences previously capitalized and charged to FY 2018 income following the adjustment to the business plans for the German sub-group.

The main changes on the balance sheet between FY 2017 and FY 2018 were as follows:

- **Net property, plant and equipment: reduction of €26.4 million**

In 2018, the Recylex Group committed €23.8 million in capital expenditures, with the bulk of this figure (€16 million) devoted to construction of the new lead reduction furnace in Germany. These capital expenditures were offset by €7.5 million in depreciation and €42.3 million in asset impairment losses recognized during the financial year in respect of Weser-Metall GmbH.

- **Inventories: reduction of €5.2 million**

The reduction in the value of inventories is primarily a result of the decline in lead volumes (in-process inventories) at the Nordenham smelter and the fall in the price of raw materials.

- **Trade receivables: reduction of €10.1 million**

The decrease in trade receivables mainly reflected a volume effect (lower business levels in the Lead segment) along with a price effect (lower raw materials prices).

- **Cash and cash equivalents (before deduction of bank borrowings shown under current borrowings): increase of €0.8 million**

Trends in the Group's cash position are presented in section 1.2.3.2.

- **Equity: reduction of €75.5 million**

Consolidated equity stood at negative €79.7 million at December 31, 2018, compared to negative €4.2 million at December 31, 2017. The reduction in shareholders' equity was mainly attributable to the FY 2018 net loss of €78.7 million. Furthermore, the Recylex S.A. parent company issued 250,000 new shares under the equity line and 136,000 new shares following the exercise of stock options, leading to an aggregate increase of €3.3 million in equity.

- **Current and non-current interest-bearing borrowings: €25.0 million increase**

The increase in interest-bearing borrowings was chiefly attributable to:
- The €15.4 million drawdowns on the bank borrowings arranged in Germany in December 2016, predominantly to finance construction work on the Lead segment's new reduction furnace
- €16 million in drawdowns on the loan facility made available by Glencore International AG under the December 2016 global financing agreement
- €5.2 million in repayments on bank loans
- A €1.2 million reduction in bank overdraft facilities

Available credit lines totaled €13.8 million at December 31, 2018, compared to €15 million at December 31, 2017, and have been used in full.

- **Provisions (current and non-current): reduction of €2.9 million**

Current and non-current provisions came to €26.2 million at December 31, 2018. They declined chiefly as a result of:
- The use of €4.7 million in environmental provisions for the remediation of mines and former industrial sites and a €2.5 million charge for additional works required at the L'Estaque site
- The reversal of a €0.8 million provision following the rulings handed down by the Douai Appeal Court rejecting the claims for damages for the prejudice of anxiety lodged by 97 former employees of Metaleurop Nord SAS

The change in provisions during FY 2018 is presented in detail in Note 14 to the consolidated financial statements for the year ended December 31, 2018.

- **Provisions for pension and post-retirement obligations (current and non-current): reduction of €1.2 million**

The decline in provisions for pensions and post-retirement obligations chiefly reflected €1.9 million in benefit payments, exceeding the €0.9 million charge for the period.

- **Analysis of debt**

The Group's net debt4 totaled €117.5 million at December 31, 2018, compared to €93.7 million at December 31, 2017. This steep increase derived chiefly from:

- The €15.4 million drawdown on the bank borrowings arranged in Germany in December 2016 for the German sub-group, predominantly to finance construction work on the Lead segment's new reduction furnace, which was partially offset by a €5 million repayment in 2018
- The formal award of two loans to Weser-Metall GmbH and to Recylex GmbH from Glencore International AG amounting to €16 million as provided for in connection with the financing arranged in December 2016

Business volumes were badly affected by the technical difficulties encountered because of the Nordenham lead smelter's new production configuration in 2018, which led to a sub-par financial performance.
Accordingly, the German sub-group:

- fell short of its performance target for December 31, 2018 as stipulated in the financing agreement entered into in December 2016 and revised in September 2018
- was unable to make the scheduled repayment on December 31, 2018
- The financial projections prepared in December 2018 and updated in January 2019 point to an additional €27 million borrowing requirement for the German sub-group in FY 2019. These projected financing requirements specifically include:
- a total amount of around €18 million in investments required for technical improvements at the Nordenham smelter and for the continued operation of the German sub-group
- the German sub-group's operational working capital requirements necessary to safeguard its ability to continue as a going concern

Against this backdrop, the Group commenced further discussions with all the German sub-group's financial partners in December 2018. The aim of the talks was to adjust the financing arrangements agreed by the Group's German sub-group in December 2016 (amended in September 2018) to its current and projected cash generation.

The Group has requested Glencore International AG to cover this financing requirement for 2019. On February 7, 2019, a bridge financing for 10 million euros with a maturity date of March 31, 2019 was put in place to allow the finalization of the global refinancing agreement which has been scheduled for May 2019.
The insufficient evolution of the operating performance of the Nordenham lead smelter, the deterioration of metal prices on the market and the significant decrease in treatment charges have led to additional financing needs in 2019 covered by bridge financing granted by Glencore International AG.

The post-closing evolution of the restructuring of the German sub-group's debt is presented in Note 39 "Subsequent events" to the consolidated financial statements at December 31, 2018, as well as in paragraph 1.4 "Significant events since year-end" of this report.

1.4. Material post-balance sheet events

The material post-balance sheet events are presented in sections 1.2 and 1.4 of this Report, and in Note 39 to the 2018 consolidated financial statements.

- **Subsequent events taken into account that have led to adjustments to the financial statements are as follows:**

Impairment tests (Note 5): The Group has reviewed the recoverable amount of the CGUs for which at the balance sheet date indications of impairment have been identified and whose recoverable amount is significantly influenced by events subsequent to the balance sheet date at December 31, 2018 until the closing of the consolidated financial statements by the Board of Directors.

[4] *The Group's net debt includes interest-bearing borrowings and other liabilities, the European Commission fine and the clawback clause liabilities, less available cash*

Deferred taxes (Note 28). The Group wrote down all previously capitalized tax losses and impaired deferred tax assets on temporary differences to the extent of deferred tax liabilities. As a result of these impairments, the net balance of deferred taxes recognized in the consolidated balance sheet as at December 31, 2018 is zero.

- **Subsequent events taken into account that have resulted in a specific mention in the notes to the financial statements are as follows:**

Debt restructuring of the German subgroup

Throughout 2019 and early 2020, the Group continued discussions with the financial partners to restructure the debt of the German sub-group. The main developments were as follows:

Following the identification of the German sub-group's additional financing requirements for 2019 in the amount of €27 million (see Note 1 - paragraph "Cash position and external financing of the Group"), the Group approached Glencore International AG at the end of 2018 in order to cover this financing requirement for 2019. On February 7, 2019, a bridge financing for €10 million maturing on March 31, 2019 was put in place to enable the finalization of the global refinancing agreement which was scheduled for May 2019.

Despite technical improvements in the industrial configuration of the Nordenham lead smelter, technical and financial performances have not been sufficient to contain the cash consumption of the smelter's activity. At the request of the German sub-group and through successive amendments, the amount of the above-mentioned bridge financing was therefore increased in May 2019 to a total amount of €21.3 million and then to €27.0 million. At the same time, the maturity of the bridge financing was postponed to June 30, 2019.

In June 2019, the cash requirements of the German sub-group for the year 2019 were revised upwards beyond the initial estimate of €27.0 million which served as a basis for discussions on an agreement to restructure the Bank debt, bringing the German sub-group's financing requirement to €46.8 million for the year 2019. This upward revision of cash requirements was mainly due to the significant deterioration in certain factors compared with the initial forecasts:

- The persistence of technical difficulties at the Weser-Metall GmbH lead smelter, despite recent improvements, resulting in insufficient production levels,
- The very recent deterioration in business conditions, particularly in the Waelz oxides activity of the Zinc segment (sharp increase in treatment charges paid to zinc producers); this activity was also impacted by a temporary decline in its industrial performance following the scheduled maintenance shutdown of Harz-Metall GmbH in the second quarter of 2019,
- The sharp fall in zinc and lead prices expressed in euros.

In this new context, the German subsidiary Weser-Metall GmbH (WMG) initiated from July 2019 technical and operational feasibility studies of various investment projects and measures aimed at (i) stabilizing the operation of the foundry with its two furnaces, (ii) further improving its production and (iii) enabling it to become profitable. These studies were also necessary in order to update the financial assumptions and forecasts of the German sub-group for the period 2022 to 2024 (date of the initial maturity of the financing obtained in 2016) and to enable discussions with all the financial partners to be resumed on these new bases and to determine whether a global financing agreement is possible.
In order to enable this action plan to be carried out, a new short-term financing was requested in July 2019 by the German sub-group from Glencore International AG in the amount of €16.0 million, covering the period during which these studies are being carried out and the financial forecasts are being updated up to November 30, 2019.

At the same time, the German sub-group obtained from its financial partners:

- an extension to November 30, 2019 of their early termination rights, as well as the extension until the same date of the repayment dates initially scheduled for December 31, 2018, March 31, 2019, June 30, 2019 and September 30, 2019;
- an extension to November 30, 2019 of the maturity date of the bridge financing granted by Glencore International AG, previously set at June 30, 2019, for a total amount of €27 million.

At the end of October 2019, Weser-Metall GmbH announced a delay in its technical studies and tests carried out and in updating the financial assumptions and forecasts of the German sub-group due to the longer than initially expected time required to carry out the technical studies and tests aimed at recovering a wider range of metals contained in particular in electronic scrap, in addition to the lead-rich materials usually used. In order to finalize these studies and related financial forecasts, the Group obtained an increase in bridge financing of €6.2 million (over November 2019) and then €7.5 million (for the period until December 20, 2019), bringing the total amount of bridge financing obtained from Glencore International AG to €40.7 million. 40.7 million. The Group also obtained:

- from Glencore International AG the extension of the maturity date of this bridge financing ('40.7 million) as well as the additional financing of €16.0 million at December 20, 2019,
- from the banks a deferral to December 20, 2019 of the early termination rights in respect of the financing obtained in December 2016, as well as the deferral until the same date of the repayments due at December 31, 2018, March 31, 2019, June 30, 2019, and September 30, 2019 for a total amount of €8.0 million.

Following the discussions with the financial partners in December 2019, the Group initiated the study of asset disposals concerning Norzinco GmbH and Weser-Metall GmbH in addition to PPM Pure Metals GmbH in order to restructure the debt of the German sub-group, as well as the study of the impact of these proposed disposals on its business model and the associated strategic developments with a view to continuing the Group's remaining activities.

In this context, a new schedule of discussions with the financial partners was established until April 30, 2020, and the Group obtained a position from the financial partners in February 2020 in relation to the progress of the disposal projects enabling debt restructuring:

- the extension of the maturity date and early termination rights until April 30, 2020
- the extension of the bridge financing for an amount of €20.7 million with Glencore International AG bringing its total amount to €61.4 million with a maturity date of April 30, 2020

On February 21, 2020, the Group obtained an extension of this discussion schedule until May 31, 2020 subject to a review of the progress of the disposal projects by the financial partners in mid-March 2020. At the same time, the Group also obtained:

- from Glencore International AG an extension of the existing bridge financing in the amount of €4.4 million to cover identified cash requirements until May 31, 2020 (compared to April 30, 2020 previously). The bridge financing is therefore increased to €65.8 million (compared to €61.4 million previously). Glencore International AG has also extended the maturity date of the bridge financing as well as that of the additional financing to May 31, 2020 ('16.0 million).
- from the bank consortium the deferral to May 31, 2020 of their rights of early termination of the 2016 financing, as well as the deferral until the same date of the repayments due on December 31, 2018, March 31, 2019, June 30, 2019, September 30, 2019, December 31, 2019 and March 31, 2020 for a total amount of €12.0 million, as well as the interest due on December 31, 2019 and March 31, 2020 for a total amount of approximately €5.5 million.

On March 19, 2020, the Group announced that the overall review of the status of asset disposal projects, previously scheduled for mid-March 2020, will now take place at the end of April 2020.

On 15 April 2020 the German sub-group informed its financial partners of the delay in completing the disposal processes, in particular of Weser Metall GmbH, mainly due to the restrictions caused by the SARS-CoV-2 pandemic.

In this context, on 7 May 2020 the German sub-group obtained an extension of the timetable for the ongoing discussions to 30 June 2020 (compared to 31 May 2020 previously) as well as:

- from Glencore International AG an extension of the existing bridge financing in the amount of €6.5 million in order to cover the cash requirements identified until June 30, 2020 (compared to May 31, 2020 previously). The bridge financing would thus be increased to €72.3 million (compared to €65.8 million previously). An extension to the same date was also obtained from Glencore International AG of the maturity date of the bridge financing as well as that of the additional financing (€16.0 million).
- from the bank consortium a deferral to June 30, 2020 of their early termination rights under the December 2016 financing, as well as the deferral until the same date of the repayments due on December 31, 2018, March 31, 2019, June 30, 2019, September 30, 2019, December 31, 2019 and March 31, 2020 for a total amount of €12.0 million, as well as the interest due on December 31, 2019 and March 31, 2020 for a total amount of approximately €5.5 million.

In addition, the review by the financial partners of the conditions under which their financing could be continued beyond 31 May 2020 has been postponed to mid-May 2020 instead of the end of April 2020.

The asset disposal and debt restructuring processes of the German sub-group described above were then interrupted by the opening of insolvency proceedings at the level of each entity of the German sub-group on 15 May 2020, as described below.

Impacts of the SARS-CoV-2 virus on the Group's activities and opening of insolvency proceedings at the level of the companies of the German subgroup

On March 11, 2020, the World Health Organization declared the outbreak of the SARS-CoV-2 virus (Covid 19) a pandemic. In the context of the containment measures taken to deal with the global SARS-CoV-2 pandemic, metal prices have fallen drastically. Taking into account the macroeconomic outlook and after examining all possible scenarios, it became evident that a sufficient recovery could not be expected in the short to medium term. In particular, zinc price developments had started to jeopardize the zinc activities of the company of the German subgroup Harz-Metall GmbH, resulting in an additional financing requirement for this company alone of 8.6 million for the next two years. This additional financing could not be provided by the group's financial partners (beyond their current commitments) in the context of the ongoing restructuring. Since this new additional financing requirement could not be covered, the prospects of Harz-Metall GmbH being able to continue as a going concern were jeopardized and, as a result of German law, the management of Harz-Metall GmbH was forced to file for insolvency proceedings on 14 May 2020.

The management of each of the other German entities (Weser-Metall GmbH, Norzinco GmbH and PPM Pure Metals GmbH, Recylex GmbH, C2P Germany GmbH and Recylex Grundstücksverwaltungsgesellschaft mbH) were obliged to file applications for insolvency proceedings on 14 May 2020 because of the joint liabilities of all entities of the German subgroup towards the financial partners. These applications for the opening of insolvency proceedings were confirmed by decisions of the German District Court of Göttingen on 15 May 2020. It should be noted that the Recylex Group's French companies are not within the scope of these insolvency proceedings under German law.

The "protective shield" procedure (defined in Article 270 b (1) of the German Insolvency Code - first sentence) was chosen for the German operating entities (Weser-Metall GmbH, Harz-Metall GmbH, Norzinco GmbH and PPM Pure Metals GmbH) and the "direct management" procedure for the other German entities (Recylex GmbH, C2P Germany GmbH and Recylex Grundstücksverwaltungsgesellschaft mbH (property management company)). The purpose of the application to initiate 'protective shield' procedures is the continuation of business and the implementation of a restructuring process specific to each of the entities, and thus to enable the entities concerned to survive once the SARS-CoV-2 pandemic has been overcome.

The opening of insolvency proceedings by the legal entities of the German subgroup has the following major consequences at the level of the parent company Recylex S.A.:

- on one hand, the loan of €16 million granted in 2014 by Glencore International AG to Recylex S.A. may become due at any time, in particular insofar as since 2016 it is linked to the financing of the German subgroup. The Group has obtained a waiver from Glencore International AG until October 31, 2020 of its right to declare this loan immediately due and payable. This postponement may be extended conditionally beyond October 31, 2020, in particular during the phase of the insolvency proceedings of Weser-Metall GmbH, insofar as Recylex S.A. continues to sell secondary materials to Weser-Metall GmbH.
- In addition, as from the decisions of the German Insolvency Court opening the insolvency proceedings, Recylex S.A. definitively loses control of the German entities, resulting in the deconsolidation of the entire German in the scope of its consolidated financial statements.

Changes in the scope of consolidation

The loss of control of the German legal entities is indeed a direct consequence of the decisions of the German Insolvency Court to open insolvency proceedings. With the court's decisions, all powers are fully transferred to the Managing Directors of the German entities and the appointed insolvency administrator. As the consolidation criteria provided for in IFRS 10 are no longer met, Recylex S.A. will have to deconsolidate in its consolidated financial statements all German entities subject to insolvency proceedings as of May 15, 2020, i.e.:

- Lead segment: Weser-Metall GmbH (primary smelting activity of the Group) and Harz-Metall GmbH (ULAB recycling activity),
- Zinc segment: the dust recycling activity of Harz-Metall GmbH and Norzinco GmbH (zinc waste recycling activity),
- Specialty Metals Segment: PPM Pure-Metals GmbH (activity of production of special metals),
- Plastics segment: C2P GmbH (polypropylene waste recycling business)
- Other activities: Recylex GmbH (holding activity in Germany) and Recylex Grundstücksverwaltungsgesellschaft mbH (property management company).

In order to assess the 2018 consolidated figures in the context of the Group's new scope of consolidation following the opening of insolvency proceedings and the loss of control of the German entities in May 2020, the Group shows below certain key aggregates for the German sub-group that will be deconsolidated, it being specified that these figures have been established for information purposes by operating segment on the basis of the consolidated financial statements at December 31, 2018:

Income Statement items (In million of euros)	Lead	Zinc	Special Metals	Plastics	Other businesses	Elimina-tions	Total
Sales to external customers	235.9	96.3	19.2	2.0	0.0		353.4
Inter-segment sales	2.7	0.9	0.1	0.3	2.4	-6.5	0.0
Total sales (IFRS)	**238.6**	**97.2**	**19.3**	**2.3**	**2.4**		**359.9**
Restatement following application of IFRS 10 & 11	0.0	0.0	0.0	0.0	0.0		0.0
Total sales restated under IFRS 10 & 11	**238.6**	**97.2**	**19.3**	**2.3**	**2.4**		**359.9**
EBITDA (IFRS)	**-24.6**	**15.0**	**0.5**	**-0.5**	**-2.5**		**-12.2**
Restatement following application of IFRS 10 & 11	0.0	0.0	0.0	0.0	0.0		0.0
AWC - LIFO adjustment	0.2	0.0	0.0	0.0	0.0		0.2
EBITDA restated for LIFO and IFRS 10 & 11	**-24.4**	**15.0**	**0.5**	**-0.5**	**-2.5**		**-12.0**
Depreciation, amortization and impairment losses (LIFO)	-3.6	-3.2	-0.4	-0.1	0.3		-7.0
Restatement following application of IFRS 10 & 11	0.0	0.0	0.0	0.0	0.0		0.0
Operating income / (loss) before non-recurring items restated for LIFO and IFRS 10 & 11	**-28.0**	**11.7**	**0.2**	**-0.6**	**-2.2**		**-18.9**
LIFO - AWC adjustment	-0.2	0.0	0.0	0.0	0.0		-0.2
Restatement following application of IFRS 10 & 11	0.0	0.0	0.0	0.0	0.0		0.0
Operating income / (loss) before non-recurring items (IFRS)	**-28.2**	**11.7**	**0.2**	**-0.6**	**-2.2**		**-19.2**

Balance sheet items (In millions of euros)	Lead	Zinc	Special Metals	Plastics	Other businesses	Total
Property, plant and Equipment & Intangible assets	25.5	12.5	1.3	0.0	0.9	40.2
Other non-current assets	1.1	1.1	0.6	0.0	0.0	2.8
Total non-current assets	**26.6**	**13.6**	**1.9**	**0.0**	**0.9**	**43.1**
Inventories	10.6	12.4	7.4	0.5	0.0	31.0
Trade receivables	14.5	3.2	1.3	0.2	0.0	19.3
Other current assets	2.9	0.9	0.1	0.0	4.5	8.4
Cash and cash equivalents	2.9	0.2	0.5	0.0	0.8	4.4
Total current assets	**30.9**	**16.8**	**9.4**	**0.7**	**5.3**	**63.1**
Interest-bearing borrowings	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	1.0	2.2	0.0	0.0	5.1	8.3
Employee benefits	17.3	1.9	2.9	0.0	9.2	31.2
Other non-current liabilities	10.7	0.0	0.0	0.0	5.0	15.7
Total non-current liabilities	**29.0**	**4.0**	**2.9**	**0.0**	**19.3**	**55.3**
Interest-bearing borrowings - current part	44.9	2.4	0.4	0.0	25.8	73.4
Provisions - current part	0.6	0.2	0.0	0.0	0.4	1.2
Employee benefits - current part	0.9	0.2	0.2	0.0	0.8	2.0
Other current liabilities - current part	36.3	5.8	2.3	0.2	1.3	45.9
Total current liabilities	**82.6**	**8.6**	**2.9**	**0.2**	**28.2**	**122.5**

As a result, and from that moment on, the Recylex group will, in its consolidated financial statements, be constituted solely of:

- Lead segment: Recylex S.A.'s ULAB recycling activities. (Villefranche and Escaudoeuvres plants)
- Plastics segment: C2P S.A.S.'s polypropylene waste recycling activity.
- Zinc segment: 50% joint venture in Recytech S.A. accounted for by the equity method in the Group's consolidated financial statements.
- Recylex S.A.'s holding company activity.

In order to ensure an assessment of the 2018 consolidated figures in the context of the Group’s new scope of consolidation following the opening of insolvency proceedings and the loss of control of the German entities in May 2020, the Group shows below certain key aggregates of the 2018 financial information, excluding entities of the German sub-group subject to insolvency proceedings, it being specified that these figures have been established for information purposes by operating segment on the basis of the consolidated financial statements at 31 December 2018 :

Income Statement items (In millions of euros)	Lead	Zinc	Special Metals	Plastics	Other businesses	Elimina-tions	Total
Sales to external customers	73.8	0.0	0.0	10.9	0.0		84.7
Inter-segment sales	2.2	0.0	0.0	0.0	0.0	-2.2	0.0
Total sales (IFRS)	**76.0**	**0.0**	**0.0**	**10.9**	**0.0**		**86.9**
Restatement following application of IFRS 10 & 11	0.0	25.3	0.0	0.0	0.0		25.3
Total sales restated under IFRS 10 & 11	**76.0**	**25.3**	**0.0**	**10.9**	**0.0**		**112.2**
EBITDA (IFRS)	**4.9**	**0.0**	**0.0**	**0.2**	**-4.9**		**0.1**
Restatement following application of IFRS 10 & 11	0.0	15.3	0.0	0.0	0.0		15.3
AWC - LIFO adjustment	0.0	0.0	0.0	0.0	0.0		0.0
EBITDA restated for LIFO and IFRS 10 & 11	**4.9**	**15.3**	**0.0**	**0.2**	**-4.9**		**15.4**
Depreciation, amortization and impairment losses (LIFO)	-1.0	0.0	0.0	-0.4	-0.1		-1.5
Restatement following application of IFRS 10 & 11	0.0	-0.9	0.0	0.0	0.0		-0.9
Operating income / (loss) before non-recurring items restated for LIFO and IFRS 10 & 11	**3.9**	**14.4**	**0.0**	**-0.2**	**-5.1**		**13.0**
LIFO - AWC adjustment	0.0	0.0	0.0	0.0	0.0		0.0
Restatement following application of IFRS 10 & 11	0.0	-14.4	0.0	0.0	0.0		-14.4
Operating income / (loss) before non-recurring items (IFRS)	**3.9**	**0.0**	**0.0**	**-0.2**	**-5.1**		**-1.4**

Balance sheet items (In millions of euros)	Lead	Zinc	Special Metals	Plastics	Other businesses	Total
Property, plant and Equipment & Intangible assets	6.3	0.0	0.0	2.5	1.6	10.4
Other non-current assets	0.0	13.4	0.0	0.0	0.0	13.4
Total non-current assets	**6.3**	**13.4**	**0.0**	**2.5**	**1.6**	**23.8**
Inventories	9.7	0.0	0.0	1.5	0.0	11.2
Trade receivables	10.6	0.0	0.0	1.8	0.0	12.4
Other current assets	4.0	0.0	0.0	0.1	0.6	4.7
Cash and cash equivalents	0.9	0.0	0.0	1.0	0.1	2.0
Total current assets	**25.2**	**0.0**	**0.0**	**4.4**	**0.7**	**30.3**
Interest-bearing borrowings	0.0	0.0	0.0	0.0	16.0	16.0
Provisions	0.0	0.0	0.0	0.0	12.5	12.5
Employee benefits	0.1	0.0	0.0	0.2	0.1	0.4
Other non-current liabilities	0.0	0.0	0.0	0.0	33.0	33.0
Total non-current liabilities	**0.1**	**0.0**	**0.0**	**0.2**	**61.6**	**61.9**
Interest-bearing borrowings - current part	0.0	0.0	0.0	0.0	0.1	0.1
Provisions - current part	0.0	0.0	0.0	0.0	4.2	4.2
Employee benefits - current part	0.0	0.0	0.0	0.0	0.0	0.0
Other current liabilities - current part	3.6	0.0	0.0	1.2	6.8	11.6
Total current liabilities	**3.6**	**0.0**	**0.0**	**1.2**	**11.2**	**16.0**

Financial position of Recylex S.A. and going concern assessment

Recylex S.A.'s receivables against the German subgroup as of the date of opening of the insolvency proceedings (May 15th, 2020) are as follows:

- 10.7 million in respect of a loan to Weser-Metall GmbH in 2016,

- 5.0 million in respect of a loan to Recylex GmbH, the amount of which was released in 2017 and 2018, , it being specified that Recylex S.A. has a debt resulting from the continuation plan amounting to €2.8 million which it intends to offset with this loan,
- 5.4 million in respect of trade receivables from Weser-Metall GmbH.

These receivables will most likely not be recovered due to the opening of insolvency proceedings of the German entities.

As Recylex S.A.'s main customer is Weser-Metall GmbH, Recylex S.A.'s ability to continue operating is dependent on Weser-Metall GmbH's ability to continue its business and to continue sourcing secondary materials from Recylex S.A. Recylex S.A.'s objective is to remain a key supplier to Weser-Metall GmbH and to continue to seek other outlets.

Recylex S.A. has established new short-, medium- and long-term financial prospects to take into account the known impacts to date of the insolvency proceedings at the level of the German entities and the new scope of its activities. This new outlook is based on the following assumptions:

- The continuation of the activity of Weser-Metall GmbH and the continued supply of secondary materials to the Weser-Metall GmbH foundry (now outside the Recylex Group) by Recylex S.A.,
- The extension beyond October 31, 2020 of the maturity date of the loan of €16 million granted in 2014 by Glencore International AG, a postponement conditional on Recylex S.A. continuing to supply Weser-Metall GmbH with secondary materials,
- The suspension of financial interest on the €16 million loan granted by Glencore International AG for at least the next 12 months, as well as the adjustment of the repayment and medium-term interest terms,
- The temporary suspension of the plan for payment of the fine to the European Commission and the adjustment of the payment schedule in order to be compatible with Recylex S.A.'s new cash flow forecasts,
- The acceptance by the competent authorities of the temporary suspension of the rehabilitation work at the L'Estaque site until December 31, 2021 and the postponement of the completion date of the work until December 31, 2024.

Assessment of liquidity risk

In complement of the risk of non-realization of the assumptions described above, Recylex S.A.'s cash flow forecasts may be impacted by the following factors in this new environment:

- the forecast volumes of secondary raw materials of Weser-Metall GmbH (now a third party customer), which represents Recylex S.A.'s almost unique customer to date,
- changes in commercial conditions for secondary materials (treatment charges),
- the evolution of lead and zinc prices and the €/USD exchange rate, as Recylex S.A.'s business is highly sensitive to changes in these parameters,
- changes in volumes and prices of used lead-acid batteries, as Recylex S.A.'s sales margin and cash flow generated by its business are highly dependent on these parameters;
- financial income, in particular dividends received from Recytech S.A. (equity accounted company), whose results are highly sensitive to the level of the zinc price,
- expenditure related to the commitment to rehabilitate Estaque site and former mining sites,
- the progress of ongoing legal proceedings against Recylex S.A. and contingent liabilities (see notes 1 and 38).
- developments in the recycled polypropylene market and their impact on the business of the subsidiary C2P S.A.S., Recylex S.A.'s sole outlet for the sale of polypropylene residues from battery recycling.

The non-realization of one or more of the assumptions and/or the negative change in one or more of the parameters described above would, depending on its magnitude, give rise to a short-term financing requirement that would no longer be compatible with Recylex S.A.'s aforementioned cash flow forecast and would require the Company to seek and obtain new financing in order to maintain cash balance and meet its liabilities in the normal course of business.

As a result, the Company may not be able to realize its assets and liabilities and settle its debts in the normal course of business. Consequently, this situation creates significant uncertainty for the going concern.

- **Other post-balance sheet events regarding Recylex S.A.**

Metaleurop International Finance B.V., a company with no activity wholly owned by Recylex S.A., had been dissolved and liquidated on February 8th, 2019 at the closing date of the liquidation proceedings.

No other events liable to have a material impact on the Group’s activities or its business and financial position occurred between the end of FY 2018 and the date of this Report.

1.5. Expected developments and outlook

- ***Metal prices in euros and €/$ exchange rates***

Lead and Zinc metal prices declined in 2019 and early 2020 compared to the average price in 2018.

The average lead price for 2019 was €1,787, down 6% compared to the 2018 average. In the first quarter of 2020, the average lead price was €1,675. Between January 2, 2020 and March 31, 2020, the price of lead fell almost continuously, with an 8% drop since the beginning of the year.

The average zinc price for the year 2019 was €2,274, down 8% on the 2018 average. In the first quarter of 2020, the average zinc price reached €1,930. Between January 2, 2020 and March 31, 2020, the zinc price fell by 17%, due to a very sharp drop since February 2020.

In 2019, the average €/$ exchange rate fell by 5% compared to 2018 to reach 1.1195. Between 2 January and 31 December 2019, the €/$ exchange rate fell by 2%. Between 2 January 2020 and 31 March 2020, the €/$ exchange rate also fell by 2%.

The evolution of the €/$ exchange rate will be a key element in the Group's economic context given its sensitivity to changes in metal prices, quoted in Dollars on the London Metal Exchange, whereas the Group's supplies and sales are overwhelmingly made in the Euro zone.

- ***Lead segment***

The world lead market showed a very small deficit in 2018, with consumption slightly above production and broadly in balance in 2019. According to forecasts by specialized analysts, the lead market is expected to be in a strong surplus in 2020 due to the drop in demand in the context of the economic crisis. As a result, lead prices fell sharply at the beginning of 2020, a decline that is expected to continue for the rest of 2020 and then stabilize at that level.

In 2019, the activity of the Weser-Metal GmbH’s smelter was impacted by:
- The impact of lower lead prices and weaker commercial conditions for the smelter compared to 2018,
- Persistent technical difficulties with the BSF furnace during the first three quarters of 2019 led the Group to reduce its supplies of used batteries in order to adapt them to the smelter's lead production levels,
- A decline in sales volumes due to the increase in volumes handled under the industrial subcontracting ("tolling") contract,
- The evolution of the production process compared to 2018 (the by-products of the main furnace being fully processed internally in 2019, instead of being sold as in the past).

The Weser-Metall GmbH foundry also carried out two maintenance shutdowns in 2019 in order to renew the refractory bricks of the BSF furnace (January 2019) and to implement technical improvements aimed at stabilizing the charging and production of the two coupled furnaces (November 2019).
Encouraging industrial performance following the maintenance shutdown in November 2019, together with a favorable basis for comparison (no maintenance shutdown in the first quarter of 2020) enabled the Weser-Metall GmbH smelter to produce nearly 33,400 tonnes of lead in the first quarter of 2020 (+36% compared to the first quarter of 2019), although in a context of continued decline in lead prices.

The outlook for the Lead segment is closely linked to the Group's new scope of consolidation following the opening of insolvency proceedings at the level of each of the entities in the German scope of consolidation on 15 May 2020 as described in paragraph 1.4 "Significant events since the end of the financial year" of this Report.

- ***Zinc segment***

The world zinc market showed a significant deficit in 2018, driven by strong global demand and production capacity that is still slow to come on stream for a variety of reasons. The zinc market remained in deficit in 2019, further supporting the zinc price at around $2,500 per ton. However, at the beginning of 2020, the market fell into a surplus situation which led to a significant drop in the zinc price to around $1,900/ton at the end of the first quarter of 2020.
However, specialized analysts anticipate a return to a balanced market or even a very slight surplus in 2022, which should support the zinc price without returning to levels comparable to 2018 and 201.:
The evolution of the zinc price and trading conditions in 2020 compared to 2018 and 2019 will be a key factor in the performance of the Zinc segment over the year.

In 2019, the activity of the Zinc segment was mainly impacted by:

- The lower zinc price in 2019 which impacted the entire Zinc segment,
- Deterioration of the commercial conditions on the dust recycling business (Harz-Metall GmbH) compared to 2018.
- Difficult market conditions and higher maintenance than in 2018 for the zinc oxides production activity of Norzinco GmbH.

The sharp decline in the zinc price and deteriorating commercial conditions continued into the first quarter of 2020 further impacting the Zinc segment's business.

In 2019, the Group has begun a process of disposing of non-strategic assets, Norzinco GmbH being part of. This process was interrupted following the opening of insolvency proceedings at the level of each of the entities in the German scope on May 15, 2020 as described in paragraph 1.4 "Significant events since the end of the financial year" of this Report.

The outlook for the Zinc segment reduced to the Waelz Oxides business through the Recytech S.A.S. joint venture is closely linked to the evolution of the zinc price, the demand for Waelz Oxides by zinc producers, the availability of materials for recycling from steelmakers and changing commercial conditions.

- ***Special Metals segment***

In 2019, the Group has initiated a process of disposals of non-strategic assets in which PPM Pure Metals GmbH, the only entity constituting the Specialty Metals segment, is part.

This process was interrupted following the opening of insolvency proceedings at the level of each of the entities in the German perimeter on May 15, 2020 as described in paragraph 1.4 "Significant events since the end of the financial year" of this Report.

- ***Plastics segment***

Due to tough economic conditions, the Plastics segment's priority will be to develop and diversify its business portfolio by continuing to pursue its strategy of producing high value-added recycled polypropylene compounds. The segment's objective is to focus on improving its margins.

Moreover, as C2P Germany was over years struggling in an extremely difficult environment and creating losses, it was decided to optimize its industrial strategy with the aim to improve future results.
C2P Germany will no longer carry out any extrusion and will refocus its business on processing and crushing plastics with remaining lead content. It will process the lead-containing plastics wastes produced by HMG's lead-acid battery breaking operations, converting those wastes into alternative feed for the Group's lead smelter as a direct replacement for coal.

C2P S.A.S.'s activity in France will most certainly be impacted by developments in the automotive sector, which is itself strongly affected by the crisis linked to the SARS-CoV-2 virus pandemic.

1.6. Research & Development

Various research and development projects were undertaken by the Group's German subsidiaries in 2018.

In 2011, Harz-Metall GmbH carried out its initial studies on production processes to treat the materials contained in the former slag heaps at the Goslar site. These plans were continued in 2018, with two new studies and more in-depth discussions taking place with the relevant authorities concerning the possibility of setting up an industrial facility to treat the materials contained in one of these former slag heaps.

PPM Pure Metals GmbH, a company specialized in the production of special metals, continued to pursue and launched several more projects in 2018 to diversify its purchasing sources and make its recycling processes as efficient as possible. Several projects aimed at expanding PPM's product portfolio in the semiconductors sector were launched, including investments in new products.

1.7. Description and management of the main risks and uncertainties facing the Group

The Group has reviewed the risks that could have a material adverse effect on its business, financial position or results and considers, on the basis of the information available, that there are no material risks other than those presented below and in Notes 32 and 39 to the 2018 consolidated financial statements.

1.7.1. Operational risks

The Group's production sites are exposed to potential risks related to business interruptions due to production incidents and / or accidents, for example like such as power outages or failures to operate essential equipment. Operational and maintenance procedures are implemented by each Group company to prevent these risks.
In this respect, the installation and start-up of the new reduction furnace at the lead smelter operated by Weser-Metall GmbH in Nordenham (Germany) in 2018 required technical and processing adaptations at the BSF ("Bath Smelting Furnace") main furnace in order to connect both furnaces. In the event of persistent technical difficulties related to the joint operation of both furnaces connected, the production and finally result of the Lead segment and therefore the Group as a whole could be affected, given the significant contribution of this segment to the Group's results.

In addition, technological, legislative and regulatory developments, particularly in terms of import and export controls and the transport of hazardous waste, are likely to pose a risk to the Group's supplies and markets. In addition, changes in market and commercial conditions in the Lead, Zinc, Steel and Plastic sectors are also likely to have an impact on Group’s business operations.
To date, the Group's main customers are European.
Since the second half of 2018, the Recylex Group entered into a deep organization and renewal process in terms of internal processes, structures and Management. Therefore, all business segments of the Group are exposed to risks inherent to such type of deep transformation and modernization process.

1.7.2. Legal risks

The Group is mainly composed of private limited liability companies (GmbHs under German law) for the operational operating structures.

The main legal proceedings initiated against Recylex S.A. are described in section 1.3.2 and the financial consequences of these proceedings are described in Note 32 "cash risk" to the 2018 consolidated financial statements. In addition, environmental liabilities handled by the Group (see Note 38 of the 2018 consolidated financial statements) may present legal risks that may involve the liability of the Group entities concerned.

Recylex S.A. and its subsidiaries, as legal entities, as well as the legal risks they may face, are managed by their respective managing directors, with the assistance of in-house legal counsels and external advisors.

1.7.3. Environmental and social risks

In the context of the transposition of European Directive 2014/95/EU of October 22, 2014 on the publication of non-financial information, the main risks facing the Group in social and environmental matters, concerning human rights and the fight against corruption are presented in this section and in section 1.8.

1.7.3.1. Environmental risks

As part of the sustainable development of its activities, the Group pays particular attention to the impact of its activities on the health, environment and safety of the Group's employees, residents and stakeholders, as well as to strict compliance with the legislative and regulatory framework defining operating standards and good practices.

As part of the Group's Extra-Financial Performance Statement (section 1.8), the key environmental indicators corresponding to the main environmental challenges facing all Group sites are:

- Direct and indirect energy consumption,
- Direct and indirect greenhouse gas emissions.

Given its size and the nature of its operations, the facility most likely to contribute significantly to the Group's environmental performance is Weser-Metall GmbH in Nordenham (Germany), which started its new reduction furnace in 2018.

All the Group's operating sites that carry out recycling activities that may have an impact on the environment are subject to authorizations from local environmental authorities, compliance with which is an absolute priority.

The sites of Weser-Metall GmbH (Lead segment), Norzinco GmbH (Zinc segment) and PPM Pure Metals GmbH (Special Metals segment) in Germany are classified as Seveso II.
Since June 1, 2016, Recylex S.A.'s facilities in Villefranche-sur-Saône and Escaudœuvres in France have been classified SEVESO high threshold, following a change in regulations concerning used lead-acid batteries. This new classification is the result of a regulatory change following the transposition of the European SEVESO III Directive, but does not imply any change

in Recylex S.A.'s activities in France. The associated hazard studies defining the risks and means of protection to be taken into consideration are currently being validated with the authorities.
Risk assessment within the Seveso regulatory framework is carried out by specialized offices. An emergency plan is prepared in conjunction with local authorities.

In addition, the Group is responsible for the rehabilitation of a number of former areas and sites from the industrial or mining past of the Group's two founding companies (the German company Preussag AG, now TUI AG, and the French company Société Minière et Métallurgique de Peñarroya), most of which have never been operated by the Group.

The management of operational risks related to the environment, health and safety is the responsibility of the directors of the Group's subsidiaries and establishments.

1.7.3.2. Social risks

As part of the Group's Extra-Financial Performance Statement (section 1.8), the key social indicators corresponding to the main challenges facing all and most of the Group's sites, respectively, are:

- The frequency rate of work accidents with lost time,
- The average blood lead level.

The monitoring of these indicators is integrated, in a decentralized way, into the internal management tools of each Group company concerned, in particular as part of their certification (see section 1.8.3.1).

1.7.4. Insurances

Insurance for protection against accidental risks is provided by Recylex S.A. and German subgroup, through insurance brokers, which participates in the Group's risk management procedures.

The industrial risks insured are based on property and casualty insurance and business interruption and civil liability insurance, underwritten by Recylex S.A. for the French subsidiaries and by Recylex GmbH for the Group's German subsidiaries.

In addition, insurance policies covering the environmental liability of Group companies up to €10 million, as well as their environmental liability for the prevention and remediation of environmental damage up to €6 million per claim per year for the Group's German subsidiaries and up to €10 million over a 24-month period for Recylex S.A., have been taken out.

Although Recylex S.A. believes that the insurance taken out at Group level is adequate to cover the risks incurred in connection with its activities, it may not be sufficient to compensate for certain losses resulting from exceptional damage or exceptional economic and financial circumstances, which would adversely affect its financial position.

1.8. Recylex Group's extra-financial performance statement

In accordance with Order 2017-1180 of 19 July 2017 transposing European Directive 2014/95/EU of 22 October 2014 on the publication of non-financial information and Implementing Decree 2017-1265 of 9 August 2017, the Group's extra-financial performance statement presents:

- The Group's business model and
- The Group's non-financial reporting, including the main non-financial risks facing the Group in social and environmental matters, concerning human rights and the fight against corruption, as well as the policies implemented to address them and the results of these policies.

1.8.1. Recylex Group's business model[5]

1.8.1.1. Major trends in the recycling industry

A fundamental transition: from raw materials extraction to circular economy of sustainable raw materials

[5] *La description du modèle d'affaires du Groupe Recylex (chapitre 1.8.1.) inclut la société Recytech S.A. détenue à 50% par Recylex S.A. En cela, le périmètre du modèle d'affaires est différent du périmètre de Reporting extra financier, pour lequel la société Recytech S.A. a été exclue à compter de l'exercice 2018.*

- *"Third Industrial Revolution"*

Developments in production methods, consumption patterns, mobility patterns, technologies and energy production are the key factor in the growing demand for raw materials in the world. As part of this "third industrial revolution", a sustainable supply of raw materials is a necessity to produce our daily industrial and consumer goods which are in increasing demand by and for future generations

- *"Responsible sourcing"*

The continuous extraction of raw materials, their production and supply chain must be subject to responsible management and increased substitution by more environmentally friendly materials. This dual transition is based on a collective awareness that is developing consumption patterns, but also on increasingly stringent regulations in favor of using more responsible materials.

- *"Recyclability and eco-responsibility"*

The increasing substitution of raw materials for recycled raw materials (RRM) prevents the depletion of natural resources related to their extraction, as well as the consumption of fossil energy related to their transformation and transport. Beyond that, however, it is necessary to act in a more responsible and sustainable way. So, the conception and production of many products now integrates this notion of recyclability more and more upstream in order to maximize and optimize the functioning of circular economies in the long term in favor of acting more sustainable and more responsible.

- *"Urban mining"*

The increased demand for responsible and eco-responsible raw materials is accompanied in parallel by increasing regulations in terms of waste management and limiting the carbon footprint of their treatment. Cities and industrial operations are nowadays the new sources of sustainable raw materials, or urban mines. As close as possible to its resources and consumers, the industrial recycling industry is a key player in urban agglomerations and the infrastructures of tomorrow.

1.8.1.2. The resources

- *Human capital*
    - 738 employees (including Recytech S.A.)
    - 15 hours of training on average per employee*
    - 100% of Group companies have employee representative bodies

* number of training hours/ number of employees operational in FTE

- *Industrial capital*
    - 11 production units in France and Germany
    - 25 million euros of investments in 2018

- *Environmental capital*
    - 1 sustainable performance charter
    - 67% of companies certified ISO 14001
    - Historical recycling know-how

- *Financial capital*
    - Listed on Euronext Paris Compartment B
    - 1 reference shareholder, Glencore, with a 29.76% stake and 32.89% voting rights at December 31, 2018

- *Societal capital*
    - A Group Code of Ethics
    - Shared values: Commitment, Respect, Performance
    - Commitments to rehabilitate former industrial sites and mines

1.8.1.3. Four business segments for sustainable and responsible materials

- *Integrated leader in lead recycling in Europe*
    - **TURNOVER: €236.6M**
    - **115,185 TONS OF USED BATTERIES RECYCLED**
    - **377 EMPLOYEES**
    - **4 INDUSTRIAL SITES**

With its patented process for processing used batteries and the most energy-efficient foundry in Europe, the Recylex group's integrated lead recycling model is one of the most efficient in the world in industrial and environmental terms.
Made from the recycling of used batteries by Recylex S.A. in France and Harz-Metall GmbH in Germany, lead-rich materials are transformed in Weser-Metall GmbH's smelter into lead ingots, the brand and quality of which are listed on the London Metal Exchange.
Recylex is the only European player to achieve a 92% recycling rate for used batteries (lead, polypropylene and sulphuric acid recovery) in accordance with EU Regulation No. 493/2012 on the calculation of recycling efficiencies for waste batteries and accumulators.
As the second largest lead recycler in Europe, the Group makes a major contribution to the circular economy in Europe and contributes to making lead the best recycled metal in the world.

- *Two activities for sustainable zinc recycling*
    - **TURNOVER: 96 M€**
    - **201,500 TONNES OF ZINC-RICH WASTE RECYCLED**
    - **202 EMPLOYEES (including Recytech S.A.)**
    - **3 INDUSTRIAL SITES**

Harz-Metall GmbH in Germany and Recytech S.A. in France (50% owned) provide a responsible industrial recycling service to steelmakers for whom the dust from their electric furnaces is a hazardous waste for the environment. These dusts, resulting from the production of steel, are enriched in giant rotating furnaces according to the Waelz process. The oxides produced in this way are secondary raw materials for zinc producers who substitute materials from the mines.
Norzinco GmbH in Germany recycles zinc-rich waste (gutters, roofs, etc.) through a very high temperature metallurgical distillation process. The high-purity zinc oxides and zinc dusts produced in this way are mainly used in the tyre, chemical and cosmetics industries.
With these two activities, the Group is thus making a major contribution to the circular economy of Zinc in Europe.

- *Specialist in recycled polypropylene compound*
    - **TURNOVER: €13M**
    - **12,700 TONNES OF RECYCLED PLASTIC**
    - **46 EMPLOYEES**
    - **2 INDUSTRIAL SITES**

With 30 years of experience, C2P S.A.S. in France and C2P Germany GmbH in Germany are the pioneers of producing recycled polypropylene in Europe. They recover polypropylene from multiple waste streams (battery shells, bumpers, production scrap, packaging, construction waste, bottle caps collected from associations, etc.).
The unique know-how developed by C2P lies in the mastery of grinding, extrusion recycling and compounding techniques: the recycled material is enriched with tailor-made additives to obtain high added value polypropylene, adapted to customer specifications.
Thanks to C2P's expertise and its teams committed to meeting customer needs, the Recylex Group is actively involved in the sustainable supply of recycled plastic materials, thereby helping to preserve natural resources by limiting fossil fuel consumption.

- *World expert in high-purity special metals*
    - **TURNOVER: €19M**
    - **233 TONNES OF SPECIAL METALS PRODUCED**
    - **113 EMPLOYEES**
    - **2 INDUSTRIAL SITES**

PPM Pure Metals GmbH in Germany has exceptional expertise in the production and purification of special metals such as arsenic, germanium, gallium or indium.
Although PPM Pure Metals GmbH deals mainly with raw materials, it has also developed recycling know-how for some of its products.

PPM Pure Metals GmbH offers tailor-made products and solutions. These very high-purity metals and their compounds are intended for high-tech applications in major global industries such as electronics, mobile phones and infrared technologies. These advanced metals are produced in small quantities according to very precise specifications and are refined to an extreme degree of purity up to 99.999995%.

1.8.1.4. The strategy for the future

With its historical and unparalleled expertise, the Recylex Group is a major player in Europe in the production of sustainable and responsible "raw materials". Recylex provides reliable solutions to the major challenges of the circular economy in Europe by recycling waste available as close as possible to cities and industries, which are nowadays the new urban mines.

The Group's current priority is to achieve a stable and profitable operation of its industrial activities. The Group's long-term strategy is to integrate and optimize all stages of processing incoming materials into its process in order to maximize their value. The Group's future value creation will be based on its ability to make better use of incoming materials, but also on its ability to develop other sources of supply that are more profitable because of the technical nature of their processing.

The Recylex Group's creation of economic value is linked to its ability to achieve a sustainable turnaround of its activities in the medium term and thus achieve sustainable profitability, to the benefit of its shareholders and employees in particular. In addition, the Recylex Group is committed to create environmental value, by the very nature of its activities in connection with the circular and local economies, by managing environmental liabilities from the industrial and mining past of the Group's ancestors. Finally, the Group is also committed to a policy of creating societal value, giving priority to local employment areas (see section 1.8.5.3) but also through sponsorship actions as close as possible to its sites.

In particular, since 2017, the Group has embarked on a profound industrial transformation, the main drivers of which are: the project to return its lead segment to sustainable profitability, the cornerstone of which is the new reduction furnace, which represents an investment of more than 40 million euros, as well as the modernization of the Group’s organization and processes.

The Recylex Group's strategy is based on its historical expertise in the treatment and recovery of industrial waste, the production of metals and recycled raw materials, and the control of its industrial processes in terms of health, safety and the environment.

1.8.2. Group’s extra-financial reporting

As part of the implementing decree no. 2017-1265 of August 9, 2017, which implemented the European Directive 2014/95/EU of October 22, 2014 on the publication of extra-financial information, the Group's reporting of extra-financial indicators was reviewed with the heads of the companies and departments concerned in order to identify the key social and environmental indicators corresponding to the main challenges facing Group companies.

The monitoring of extra-financial key indicators is integrated into the management tools of each site or Group company, in a decentralized manner, with objectives defined by each site for certain key indicators as part of their certification. In view of the start-up of the new reduction furnace at Weser-Metall GmbH's lead smelter in Nordenham, the Group's main contributor to extra-financial reporting, and the managerial changes in the Group's German scope in 2018, the monitoring and preparation of the Group's extra-financial reporting will have to be reviewed and adapted in the light of any new challenges related to these changes.

During 2018, the methodological guide, drawn up by the Group's relevant departments, formalizing and describing the process, all definitions and methods to be followed for extra-financial reporting (each indicator being the subject of a methodological sheet containing definitions and calculation methods) continued to serve as an internal guide for the Group's various sites and was distributed and applied at all levels of extra-financial data reporting development. This methodological guide is periodically updated and serves as a reference for the Group's external audit of extra-financial reporting and is therefore available to readers of Recylex's Annual Report upon request [6].

1.8.2.1. Extra-financial indicators and reporting scope

Initiated in 2011, the Group's extra-financial reporting includes social and environmental indicators selected by the departments concerned, in consultation with the managers of the Group's subsidiaries and establishments. During 2018, the Group's extra-financial reporting continued, with particular attention to the changes made by the transposition of the European Directive 2014/95/EU of 22 October 2014. Among the extra-financial reporting indicators, key performance indicators have been identified by the departments concerned, through dedicated meetings, based on their relevance to the Group's activities and areas of intervention. These key performance indicators are as follows:

1. Frequency rate of work accidents with lost time
2. Average lead levels of the Group's exposed employees
3. Direct and indirect energy consumption

[6] *Any request may be sent by e-mail on the Company's website (www.recylex.eu - Contact section) or by post to the Company's administrative headquarters: 79, rue Jean-Jacques Rousseau, 92150 Suresnes (France).*

4. Direct and indirect greenhouse gas emissions (C02)

The Group's extra-financial reporting scope for 2018 includes data relating to the parent company and all its subsidiaries within the meaning of Article L. 233-1 of the French Commercial Code or the companies it controls within the meaning of Article L. 233-3 of the French Commercial Code, excluding companies in which Recylex S.A. directly or indirectly holds less than 51% of the capital, taking into account the limited operational control of Recylex S.A. within these entities [7].
As from 2018, in order to bring the extra-financial reporting scope into line with the Group's financial consolidation scope, information relating to Recytech S.A., 50% owned by Recylex S.A., has been excluded. In addition, companies without employees are excluded from the scope of social reporting and companies not engaged in any operational activity are excluded from the scope of environmental reporting.

Any restrictions on the scope (activities or geographical areas) specific to certain indicators are specified in the methodological guide.
Changes in the scope of consolidation (arising in particular from acquisitions or disposals, the creation or termination of activities) are taken into account on the date of their effective implementation.
Internally defined methodologies may have limitations for some selected indicators, including:

- The disparity between the national laws of the different countries in which the Group's sites are located (particularly in labour and social protection law),
- Difficulties in responding to an indicator for legal or policy reasons,
- Estimates (examples: measurements of activity generating emissions and/or discharges).

1.8.2.2. External audits

The environmental, employee-related and social information in this 2017 report was audited by KPMG Audit, division of KPMG S.A., one of our Statutory Auditors.

This organization's audit was intended to:

- Produce a reasoned opinion on the compliance of the declaration with the provisions set out in I and II of Article L. 225-102-1 of the French Commercial Code in accordance with Articles L. 225-102-1, V and R 225-105-2 of the French Commercial Code;
- Express a conclusion of moderate assurance that the information referred to above is presented fairly, in all material respects, in accordance with the standards used. This report is appended to this Report.

1.8.3. Group environmental information

1.8.3.1. General environmental policy

- **Environmental Management System within the Group**

The Group's Sustainable Performance Charter, included in the Group's Code of Ethics during the year 2019, is applicable to all Group entities and subsidiaries and conforms to the principle of continuous improvement in the ISO 14001:2015 environmental standard.

The implementation of the Group's Sustainable Performance Charter requires management teams within each establishment or subsidiary to ensure that environmental parameters are complied with and to provide a channel of communication with local authorities and communities. Each plant's manager has at least one person reporting to him/her, whose main responsibility is to manage environmental protection, and to train and inform employees, with a target of reducing environmental risks and defining the systems and structures to be implemented in the event of an emergency situation on each site.

Environmental Management Systems create a framework aimed at identifying the impact of activities, defining improvement targets, implementing action plans and evaluating progress. To this end, every Group establishment and subsidiary has management systems that are certified by approved organizations. These certifications are based on international quality, health and safety, and environmental protection standards (hereinafter referred to as "QHSE") and the certifications held by the establishments concerned by the Group's extra-financial reporting are mentioned in the table below:

[7] *The list of all of the Company's subsidiaries within the meaning of Article L. 233-1 of the French Commercial Code or the companies that it controls within the meaning of Article L. 233-3 of the French Commercial Code is detailed in Note 37 of the notes to the consolidated financial statements for the year ended December 31, 2018.*

Operating plants as at December 31, 2018	Business segment	Certifications (first obtained)
France		
Recylex S.A. plant at Villefranche-sur-Saône	Lead	ISO 14001:2015 (since 2008)
Recylex S.A. plant at Escaudœuvres	Lead	ISO 14001:2015 (since 2008)
C2P S.A.S. plant at Villefranche-sur-Saône	Plastics	ISO 14001:2015 (since 2006) ISO 9001:2015 (since 2007) OHS.A.S 18001:2007 (since 2008)
Germany		
Harz-Metall GmbH plant, Goslar	Zinc/Lead	ISO 14001:2015 (since 1995) ISO 9001:2015 (since 1995) ISO 50001:2011 (since 2013)
Weser-Metall GmbH plant, Nordenham	Lead	ISO 14001:2015 (since 2002) ISO 9001:2015 (since 1995) ISO 50001:2011 (since 2012)
Norzinco GmbH plant, Goslar	Zinc	ISO 14001:2015 (since 2004) ISO 9001:2015 (since 2004) ISO 50001:2011 (since 2011) OHS.A.S 18001:2007 (since 2012)
C2P GmbH plant, Goslar	Plastics	ISO 9001:2015 (since 2002) ISO 50001:2011 (since 2016)
PPM Pure Metals GmbH Langelsheim	Special Metals	ISO 9001:2015 (since 1993) ISO 50001 :2011 (since 2012)
PPM Pure Metals GmbH Osterwieck	Special Metals	ISO 50001 :2011 (since 2012)

All the Group's operating plants, the activities of which are presented in section 1.1. of this report, are subject to environmental administrative authorizations in view of their industrial activities, which may impact the environment.

- **REACH and CLP Regulations**

European Regulation (EC) 1907/2006 (REACH) covers the registration, evaluation, authorization and restriction of chemicals. It entered force in 2007, superseding the previous legislative regime for chemicals in the European Union.

REACH transfers responsibility for the assessment and management of the risks posed by these chemicals to industrial producers, importers and users, and provides appropriate safety information for their use. This regulation has an impact on a large range of companies operating across many sectors, and not just in industry. REACH requires new forms of cooperation between businesses, enhancing the communication processes throughout the supply chain, and the development of tools to guide and assist businesses and the authorities with its implementation.

The main purpose of REACH is to ensure a high level of protection of human health and the environment, including in the promotion of the alternative trial methods, the free movement of substances in the internal market and greater competitiveness and innovation.

Furthermore, European Regulation (EC) No. 1272/2008 on the classification, labeling and packaging (CLP) of substances and mixtures has been in full force since June 1, 2015. In accordance with the GHS standard, the CLP Regulation establishes a classification of hazardous chemical substances and provides information about the dangers for users based on a labeling system. This Regulation also provides the basis for the safety data sheets (SDS) regulated under the REACH Regulation and lays down requirements for the packaging of hazardous chemicals. With the publication of the Ninth Adaptation to Technical Progress (ATP) on July 19, 2016, lead metal is now classified in category 1A in terms of its toxicity to reproduction and effects on or via lactation.

The Group works closely with international trade organizations to implement the various stages in the process. Norzinco GmbH has been designated Lead Registrant for zinc oxide by the Zinc REACH Consortium (International Zinc Association in Brussels), while Weser-Metall GmbH has been designated Lead Registrant for lead-acid battery recycling by the Lead REACH Consortium (International Lead Association in London).

The registration deadline for all substances manufactured or imported outside the European Union in excess of 1 ton per year was 31 May 2018. These tonnages mainly concerned PPM Pure Metals GmbH, which managed to finalize all the necessary registrations within the deadline.

PPM Pure Metals GmbH is the lead registrant for antimony trichloride for the International Antimony Association and for arsenic metal and arsenic trichloride for the Arsenic Consortium and its compounds. Finally, PPM Pure Metals GmbH acts as the lead registrant for the registration of germanium dioxide for the REACH Germanium Consortium.

Following the publication of the European Chemicals Agency ("ECHA") Decision ED/61/2018, lead was included in the list of candidates for possible inclusion in Annex XIV for substances of very high concern because of their reproductive toxicity (Article 57c). The International Lead Association, of which the Group is a member, is particularly active in order to prevent lead from being included in Annex XIV of the REACH Directive (EG / 1907/2006).
In 2018, the MISA project (Sectoral Approach for Metals and Inorganic Products) was launched by ECHA, which aims to better identify the risks associated with the uses of these substances and increase the level of safety in their use. This MISA project will continue in 2019.

- **Protecting biodiversity: Measures taken to limit impacts on the natural environment and protected species**

A majority of the Group's operational plants are located in industrial or urban zones, far from any protected area (e.g. areas with Natura 2000 classification) and therefore require no particular protection measures. However, each Group subsidiary and establishment is well aware of the need to curb the impact of its activities on the environment.

Some land adjacent to Recylex S.A.'s plant at Escaudœuvres (France) has been classified as a natural area of interest for ecology, flora and fauna ("ZNIEFF"). This program is part of an ongoing scientific inventory of sectors of the French countryside of special ecological interest, especially in terms of the balance or wealth of the constituent ecosystems or the presence of rare and/or threatened plant or animal species. Neighboring ZNIEFFs do not have any direct regulatory impact, but require measures to be taken to check for protected species likely to be present, as these are covered by strict regulations.

In addition, as part of the remediation of mining or former industrial sites, special attention is paid for example during works to close former mines where these have been identified as bat roosting sites.

- **Measures taken to adapt to the consequences of climate change**

The consequences of climate change, such as increased temperatures, rising water levels and increased severe weather events (wind and rain), have a limited effect on the Group's operational facilities at present given their location.

The Group's main plant, Weser-Metall GmbH in Germany, located on the banks of the river, anticipates the consequences of climate change by implementing various flood (strengthening dikes) and storm protection measures (improving the waterproofing of buildings, increasing the capacity of the storm basin).

1.8.3.2. Group environmental strategy

The Recylex Group is fully integrated within a circular economy that processes and recovers material from hazardous waste such as scrap car batteries and zinc bearing dust produced by electric arc furnaces that recycle scrap metal, and from non-hazardous waste, such as polypropylene waste and scrap zinc.
Especially, the Group recycles and recovers 92% of a scrap battery's components and 98% of the lead contained in them[8] a unique performance in Europe. Lead compounds from batteries are converted into lead ingots, plastic casings are cleaned and converted into polypropylene granules, and impure sulfuric acid is converted into clean acid. All these recycled materials are of the same quality as those produced from non-renewable raw materials.

Recycling helps reduce greenhouse gas emissions notably by avoiding the energy consumption required for the extraction of raw materials and their transportation to Europe. Recycling technologies also consume less energy than the processes used to produce non-renewable raw materials[9].

The principal source of greenhouse gas emissions, is almost 80% derived from the combustion of coke and natural gas in metallurgical furnaces producing lead ingots or zinc compounds. The goal of cutting greenhouse gas emissions forms part of a multi-year strategy to reduce consumption per ton produced, through production process optimization. For information, the assessment of greenhouse gas emissions related to the transport of incoming and intra-Group materials for the two main segments of activity Lead and Zinc would represent less than 8% of additional emissions in 2018. Nevertheless, the Recylex group ensures that in its intra-group logistics chain, but also for its supplies of coke, or raw materials, it gives priority to modal shift by giving priority to inland waterway transport and combined road/rail transport.

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[8] *In accordance with Commission Regulation (EU) No. 493/2012 of June 11, 2012 laying down, pursuant to Directive 2006/66/EC of the European Parliament and of the Council, detailed rules regarding the calculation of recycling efficiencies of the recycling processes of waste batteries and accumulators.*
[9] *Report on the Environmental Benefits of Recycling, Bureau of International Recycling, October 2008, page 4.*

In addition, the Group prioritizes videoconferencing and conference calls, wherever possible, to curb the greenhouse gas emissions associated with business travel. With this in mind, most of the Group's meeting rooms and workstations for Group personnel whose duties require them to travel, have been equipped with an individual videoconferencing system.

Lastly, since most of the Group's companies do not have their own corporate restaurant facilities, efforts to curb food waste are limited. Group companies using external corporate catering companies make sure that they serve appropriately sized portions to employees.

1.8.3.3. Remediation of mining and industrial sites and waste heaps

Significant provisions are recorded for rehabilitation works on mining and industrial sites that remain under the Group's responsibility (see Note 38 to the consolidated financial statements).

- **France**

When it was created in 1988, the Group inherited responsibility for some thirty mining concessions in France, only two of which were still in operation at that time.

At the end of 2018, Recylex S.A. is no longer a mining title concessionaire in accordance with Article L. 144-4 of the Mining Code, which stipulates that mining concessions not operated and established for an unlimited period expire on 31 December 2018. However, the end of the mining title does not mean the end of the mining policy on the conditions for carrying out rehabilitation work on former mining sites. The rehabilitation of the latter and their securing were the subject of a multi-year work plan validated and revised in consultation with local authorities and State agencies. The total amount of provisions covering the entire rehabilitation program for former mining sites amounted to 3,923,000 euros as at 31 December 2018

Recylex S.A. also retains responsibility for the rehabilitation of the non-operational industrial site of L'Estaque in Marseille (see paragraph 1.8.3.5. ii below).

- **Germany**

In Germany, the subsidiaries Harz-Metall GmbH, PPM Pure Metals GmbH and Weser-Metall GmbH retain responsibility for former slag heaps or residue deposits located within or near active sites. These former dumps or deposits, often not used for several years, but for which responsibility is either entirely or shared with other industrialists, are being rehabilitated in consultation with the local authorities.

1.8.4. Environmental indicators

The Group's operating sites may have an environmental footprint mainly related to atmospheric emissions and discharges into water, particularly heavy metals such as lead and zinc.

The relevant values measured or calculated for the Group's operating sites have been collected and reported in accordance with the extra-financial reporting formalization process described above and are presented in the tables below. In general, the "measured" data are derived from self-monitoring. This self-checking is subject to at least annual verification by an approved body and unannounced checks by local administrative authorities.

1.8.4.1. Consumption of non-renewable materials

The table below shows the evolution of the Group's consumption of non-renewable raw materials[10] over the last two years:

	2018	2017
Consumption of non-renewable materials	89,399 tons	132,188 tons

The Group's consumption of non-renewable materials fell sharply in 2018 compared to 2017. This change is due, on the one hand, to the change in the scope of extra-financial reporting with the exclusion of data relating to Recytech S.A. and, on the other hand, to the slowdown in the Lead segment following technical difficulties related to the connection of Weser-Metall GmbH's main furnace with its new reduction furnace, whose production started during the 2018 financial year.

[10] *Non-renewable materials are materials produced from natural resources that cannot be replenished rapidly. The non-renewable materials used for this indicator are mainly lead concentrates from mines, coke, coal and minerals consumed as raw materials and also as reagents, such as lime for neutralizing effluents. This excludes all raw materials contained in manufactured products bought from suppliers, such as steel contained in new machinery purchased.*

1.8.4.2. Consumption of recyclable materials

The following table shows the Group's consumption of recyclable materials[11] over the past two years:

	2018	2017
Consumption of recyclable materials in the Group	245,484 tons	380,874 tons
Percentage of recyclable materials in relation to total materials consumed by the Group	73.30 %	74.24 %

As the Group's activities are mainly in the field of recycling, the proportion of recyclable materials consumed by the Group is significant and represents more than 73% of all materials consumed by the Group in 2018.
In 2018, purchases of recyclable materials were also down for the same reasons as those indicated above for the consumption of non-renewable materials.

1.8.4.3. Waste

This indicator covers hazardous and non-hazardous waste that is recycled or disposed of (as defined in Directive 2008/98/EC of 18 November 2008 on waste) and is identified by type of waste and calculated individually for each treatment pathway (recovery or disposal). This excludes waste generated and treated during the manufacturing process, such as poor quality products recycled internally.

In accordance with national regulations transposing Directive 2008/98/EC of 18 November 2008 on waste, lead-containing materials from used lead-acid battery subsidiaries and recovery facilities are considered waste until specific end-of-waste criteria are defined for these materials.
However, these materials considered as waste are used and recovered by the Group's entities as "secondary" raw materials that replace, without further processing, virgin raw materials or mining resources. This process explains the high recycling rate reported below.

The main focus on the management of waste generated by the Group's activities is to reduce the volume of waste destined for disposal, by promoting as much as possible the internal recycling of materials that are not rich enough in metals to be marketed or products that do not comply. Waste that cannot be recycled internally is treated by approved disposal channels.
The evolution of the volume of waste generated by the Group's activities over the past two years, as well as their management methods, is as follows:

	2018	2017
Production of hazardous waste by the Group	101,541 tons	118,781 tons
Percentage of hazardous waste processed	96.0 %	95.6 %

The reduction in the volumes of hazardous waste produced in 2018 compared to 2017 is explained by the decrease in supplies to the Lead segment in France and Germany.
It should be noted that approximately 96% of the hazardous waste recovered is used as "secondary" raw materials by the Nordenham smelter in Germany for its lead market production.

	2018	2017
Production of non-hazardous waste by the Group(1)	57,851 tons	137,492 tons
Percentage of non-hazardous waste recovered	10.3 %	61.1 %

(1) *The main volume of waste generated corresponds to the slag resulting from the production of Waelz oxides from the Harz-Metall GmbH and Recytech S.A. sites (for the 2017 financial year only).*

The very sharp decrease in non-hazardous waste production tonnages in 2018 compared to 2017 is due to the change in the scope of consolidation in extra-financial reporting with the exclusion of data relating to Recytech S.A. This indicator has been identified as one of the key indicators of the Group's extra-financial performance.

[11] *Recycled materials are materials that may be recycled or that may replace a material produced from a virgin resource, bought or obtained from sources internal or external to the Group. The recycled materials used for this indicator are mainly used lead-acid batteries, lead paste and lead metallics, electric arc furnace dust, polypropylene waste, and lead and zinc waste.*

1.8.4.4. Direct and indirect energy consumption

The table below shows the evolution of energy consumption by sites (in MWh) over the last two years:

Group's direct energy consumption[12]	2018	2017
Natural Gas	246,083 MWh	247,472 MWh
Diesel/Fuel	4,445 MWh	6,181 MWh
Self-generated electricity	1,160 MWh	960 MWh
Total	251,688 MWh	254,613 MWh
Group's indirect energy consumption[13]		
Electricity	85,191 MWh	89,890 MWh
Diesel/Fuel	91 MWh	128 MWh
Group's total energy consumption	**336,970 MWh**	**344,631 MWh**

This indicator has been identified as one of the key indicators of the Group's extra-financial performance. It is monitored at the level of each Group site concerned as part of its policy for optimising energy consumption management.

The Group's energy consumption was relatively stable in 2018 compared to 2017, despite the change in the Group's extra-financial reporting scope, due to the start-up of Weser-Metall GmbH's new reduction furnace in 2018.

With regard to the measures taken to reduce energy consumption, the Group is continuing its efforts to reduce its energy consumption both for the use of natural gas for thermal processes and for the electricity consumed by the electric motors of the industrial tools at its sites.

In 2018, all German companies certified ISO 50001, were successfully audited. The subsidiary Weser-Metall GmbH is working on heat recovery systems and has invested in a more economical oxygen supply system. In addition, since 2014, the subsidiary Norzinco GmbH has set up a heat exchanger with a neighbouring company producing wood, to use the heat from Norzinco GmbH's production equipment to dry the wood produced by the neighbouring company for a fee. In the field of electricity consumption, the Group's sites invest in more efficient electric motors with frequency variation during equipment replacement operations. In order to promote polypropylene from recycling, whose undeniable environmental advantage is its lower energy consumption, the C2P subsidiary in France issues carbon savings certificates for each of its deliveries.
The Group is also involved in the development of renewable energies as part of the development of the circular economy of so-called stationary lead-acid batteries, recycled by the Group, which are widely used for the storage of temporary energy in the solar and wind energy sectors.

1.8.4.5. Water consumption

Due to the nature of its activities and the location of its plants, the Group does not have any significant water supply issues based on local constraints.

The table below shows the evolution of the Group's water consumption[14] over the last two years:

Total water consumption by the Group	2018	2017
Total	1,634,235 m^3	1,820,076 m^3

The Group's water consumption decreased following the exclusion of data relating to Recytech S.A. from the extra-financial reporting scope.

[12] *Direct energy consumption is the consumption of energy on-site, such as natural gas used in production and for heating buildings, and gasoline and diesel used in handling operations, heat production, power generation and the pre-heating of facilities.*
[13] *Indirect energy consumption is the consumption of energy outside Recylex S.A. in order to supply energy to Recylex S.A., such as electricity for the production system and related services.*
[14] *Total water consumption corresponds to all water taken in by all Group companies from all sources (e.g. surface water, water pumped from the water table, rainwater collected (due to the specific activity of the Group's companies, rain water collected must be cleaned before discharging), measured either by flowmeter or by default, by an estimate corresponding to 70% of local rainfall collected multiplied by paved and roof surfaces).*

1.8.4.6. *Direct and indirect greenhouse gas (GHG) emissions*

The table below shows the evolution of the tonnes of CO2 (tCO2) emitted by the Group over the last two years:

Direct and indirect greenhouse gas emissions (tCO2)[15]	2018	2017
Emissions issued directly by the sites	141,194 tCO_2	191,505 tCO_2
Indirect emissions (e.g. for electricity production)	36,818 tCO_2	36,217 tCO_2
Total	**178,012 tCO_2**	**227,722 tCO_2**

This indicator has been identified as one of the key indicators of the Group's extra-financial performance. This indicator, as well as the defined objectives, are monitored and established by the two sites that contribute the most to the Group's CO2 emissions: Harz-Metall GmbH and Weser-Metall GmbH.

CO2 emissions in 2018 compared to 2017 are reduced following the exclusion of Recytech S.A. data from the extra-financial reporting scope.

Directive 2003/87/EC of 13 October 2003, as amended by Directive 2009/29/EC of 23 April 2009, aims to establish a Greenhouse Gas Emissions Trading Scheme to reduce greenhouse gas emissions in an economically efficient manner. This Directive follows the approval of the Kyoto Protocol by the European Union and its Member States in 2002, which commits them to reduce their greenhouse gas emissions compared to 1990 levels in order to reduce the influence of these emissions on the climate.

Since the amendment in 2009 of the aforementioned Directive, two Group plants, Weser-Metall GmbH and Harz-Metall GmbH, have reported their CO2 emissions for the years 2005, 2006 and 2007. Since 1 January 2013, these companies have been covered by the EU Emissions Trading Scheme. The CO2 emission allowances issued to the Group's companies concerned have been set on the basis of their declared CO2 emissions. The quantity of allowances issued each year decreases linearly by a factor of 1.74% from 1 January 2013.

1.8.4.7. *Atmospheric emissions of metals*

This indicator covers emissions of point source air pollutants that are identified on the environmental permits held by each Group company and that can potentially have harmful effects on the environment and human health of employees and communities surrounding industrial activities.

The table below shows the evolution of air emissions by the Lead, Zinc and Cadmium Group over the last two years:

Stack airborne emissions (measured releases)[16]	2018	2017
Lead	173.3 kg/year	396.1 kg/ year
Zinc	3,033.8 kg/ year	3,797.6 kg/ year
Cadmium	2.7 kg/ year	7.6 kg/ year

The reduction in lead emissions in 2018 compared to 2017 is due to new gas filtration equipment at Weser-Metall GmbH following the installation of its new reduction furnace. The main reason for the reduction in zinc emissions is the decrease in releases at the Harz-Metall GmbH site in Germany.

[15] The direct and indirect greenhouse gas emissions taken into account in this indicator are stated in carbon dioxide-equivalent terms (CO_2) from the combustion of fossil fuels for direct and/or indirect power generation and for certain industrial processes (e.g. chemical reduction). The reporting system excludes greenhouse gas emissions resulting from energy consumed in transporting materials from suppliers to the plant, intra-Group or in shipping them to customers, as well as fuel used by vehicles for transporting people and in employee commutes. The emission factors used to calculate this indicator are taken from version 14.1 of ADEME's (French Environment and Energy Management Agency) 2017 carbon database.

[16] The method of calculating the annual mass flow rates of heavy metals, to the exclusion of any fugitive or accidental release into the atmosphere, is specific for each chimney and corresponds either to (i) continuous monitoring by using the following formula: metal concentration [mg/m^3] x flow rate [m^3/h] or (ii) a point-in-time measurement by using the following formula: point-in-time metal concentration [mg/m^3] x point-in-time flow rate [m^3/h] x operating time [h]. When there are several point-in-time measurements, the operating time is weighted for each point-in-time measurement.

1.8.4.8. *Metal effluent discharges by type and destination*

European Directive 2000/60/EC of 23 October 2000 establishing a framework for Community action in the field of water policy defines objectives for improving water quality in Europe and is gradually being taken into account in the operating licenses of effluent treatment plants operated by Group companies that have to adapt to these new regulations.

The table below shows the evolution of lead, cadmium and zinc discharges into water[17] by Group companies over the past two years:

Discharges into water from Group sites (measured discharges)	2018	2017
Lead	7.2 kg/ year	9.5 kg/ year
Zinc	140.2 kg/ year	179.3 kg/ year
Cadmium	12.0 kg/ year	15.3 kg/ year

Metal emissions in effluents decreased slightly in 2018 compared to 2017, due to the exclusion of data relating to Recytech S.A. from the extra-financial reporting scope.

1.8.4.9. *Environmental expenses and provisions at Group sites*

1.8.4.9.1. *Expenses related to Group sites*

The environmental expenses summarized in the tables below concern, on the one hand, investments related to the environment at the Group's operating sites and, on the other hand, costs resulting from the rehabilitation of the Group's closed industrial sites, mining sites and former waste heaps.

(i) Environmental investments of the Group's operating sites

		2018	2017
Investments related to the environment and safety of operating sites	France	2,640 K€	450 K€
	Germany	1,356 K€	48 K€
	Total	**3,996 K€**	**498 K€**

In 2018, 14.4% of the Group's investments were devoted to improving environmental protection and/or safety conditions at industrial operations.

(ii) Expenses related to the Group's closed industrial sites and former heaps

		2018	2017
Expenditure related to closed industrial sites	France	3,061 K€	306 K€
	Germany	0	0
	Total	**3,061 K€**	**306 K€**
Expenditure related to old slag heaps	France	0	0
	Germany	558 K€	527 K€
	Total	**558 K€**	**527 K€**
Total expenditures		**3,619 K€**	**833 K€**

Expenses recorded in 2018 amounted to approximately 3,619 € to cover the cost of restoring former industrial sites in France and Germany.

<u>L'Estaque (France)</u>

Following the shutdown of the Estaque plant in February 2001, several decrees supplementing the prefectoral decree of 23 December 2002 defining the rehabilitation programme prescribed the conditions for carrying out the rehabilitation work

[17] This data concerns discharges into water of the main metals listed on environmental permits prescribed for the Group's industrial facilities and which may have harmful effects on aquatic environments and the environment of communities downstream of discharge points, to the exclusion of any unprocessed collected rainwater and domestic wastewater. The method of calculating the annual mass flow rates of heavy metals for all defined points of discharge (to surface water or to another user) corresponds either to (i) continuous monitoring by using the following formula: metal concentration [mg/m³] x flow rate [m³/h] or (ii) a point-in-time measurement by using the following formula: point-in-time metal concentration [mg/m³] x point-in-time flow rate [m³/h] x operating time [h].

and set the deadline for completing the work at 31 December 2018. With regard to the work still to be carried out, an extension of the deadline to 31 December 2022 for the rehabilitation work was obtained from the Prefect of Bouches-du-Rhône.

In June 2012, a contract was signed with a specialized company for the construction and operation of a first storage cell. In 2014, a second cell was built and partially filled. After a period of interruption of the work, Recylex S.A. restarted excavation and filling work on the second cell in the second half of 2017. In 2018, work focused on the extension of the second storage cell and its operation for approximately 55,000 m3 of stored waste. The amount of expenses incurred in 2018 amounted to 3,061 thousand euros.

Provisions (before discounting) covering the entire rehabilitation program at the Estaque site amounted to €8,790 thousand at 31 December 2018 (see Note 14 to the consolidated financial statements for the year ended 31 December 2018). An additional allocation of €1,983,000 has been taken into account as at December 31, 2018 to take into account additional clean-up work and the extension of the expected duration of the work for recurrent costs. These amounts correspond to the best available estimates based on the technical reports of independent experts.

As the search for financing or specialised partnerships, specifically dedicated to the rehabilitation works of the Estaque site, initiated in 2013, did not succeed, Recylex S.A. resumed the rehabilitation works of the Estaque site in the second half of 2017. Since the start of the rehabilitation project in 2012, a total amount of approximately €14 million has been spent on this project, financed entirely from its own funds.

Germany

This expenditure mainly covers the Harz-Metall GmbH site in Goslar, Germany, with the rehabilitation and monitoring of former dumps.

(iii) Expenditure related to mining sites in France

	2018	2017
Expenditure related to mining sites in France	1,093 K€	696 K€

During the 2018 financial year, the charge concerned work in two former mines located in the Gard and Tarn regions as well as the management of water treatment plants installed on former mining sites.

1.8.4.9.2. Provisions related to the environment concerning the Group's sites

The environmental provisions detailed in the table below are included in Note 38 to the consolidated financial statements and in Note 2 to the parent company financial statements for the year ended 31 December 2018).

Amount of provisions (in thousands of euros)	2018	2017
France		
Sites in operation	0	0
Discontinued industrial sites	8,790 K€	9,868 K€
Mines	3,923 K€	4,830 K€
Germany		
Sites in operation	2,403 K€	1,152 K€
Discontinued industrial sites	7,457 K€	8,397 K€
Total of provisions	**22,573 K€**	**24,247 K€**

1.8.5. Social information of the Group

As part of the process of formalising extra-financial reporting, the process and scope of the social data of Group entities with employees is defined and specified in section 1.8.2.1 of this Report.

The scope of the Group's social data changed between 2017 and 2018 following the exclusion of data relating to Recytech S.A.

1.8.5.1. Group Operational Employees

The table below shows the breakdown of Operational Employees by number and the average Operational Employees in Full-Time Equivalent (FTE) by country and at Group level:

	Operational Employees[18] at 31/12		Average Operational Employees in FTEs[19]	
	2018	2017	2018	2017
Germany	619	567	596.1	554.2
France	72	114	71.4	109.4
Group	**691**	**681**	**667.5**	**663.6**

As of December 31, 2018, despite the exclusion of Recytech S.A. data from the extra-financial reporting scope, the Group's Operational Employees increased very slightly (1.5%) compared to 2017 and is split between Germany (89.6%) and France (10.4%). This increase is explained by the increase in staff requirements in Germany due to the start-up of the new reduction furnace at the Weser-Metall GmbH site, as well as the reopening of the second high-purity arsenic production line of PPM Pure Metals GmbH in the first half of 2018, which was shut down in 2013.

The proportion of the Group's Operational Employees working part-time compared to those working full-time (according to the working hours provided for by the applicable law or collective agreement) also remained stable at 31 December 2018 (5.64%) compared to 31 December 2017 (5.73%).

	Full-time operational staff at 31/12		Operational part-time staff at 31/12	
	2018	2017	2018	2017
Germany	584	535	35	32
France	68	107	4	7
Group	**652**	**642**	**39**	**39**

The methods of organizing working time depend in particular on the business sector of the Group's companies and establishments, as well as their geographical location, with adaptations for production sites requiring continuous operation of the facilities and requiring shift work.

The table below shows the breakdown of the Operational Workforce by age according to geographical areas and at Group level as at 31 December 2018:

Operational workforce by age	Less than 30		30 to 44		45 to 49		50 to 55		Over 55	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Germany	113	91	182	160	78	85	108	112	138	119
France	6	5	24	36	13	26	17	30	12	14
Group	**119**	**96**	**206**	**196**	**91**	**111**	**125**	**142**	**150**	**133**

In order to complete the operational workforce and according to the peaks of activity of the various Group companies, the Group has used subcontractors, mainly in the fields of handling, maintenance of industrial sites and administrative offices, security, as well as the maintenance of its industrial installations. During 2018, the number of subcontractors (excluding transport and temporary staff) who worked for the Group represented on average approximately 5% of the Group's Operational Workforce in full-time equivalent.

1.8.5.2. Departure rate of Operational Employees

The Group's employee departure rate, corresponding to the total number of Operational Employees who left one of the Group's companies divided by the number of Operational Employees at 31 December, remained stable in 2018 (6.66%) compared to 2017 (6.6%).

[18] The Group's Operational Workforce corresponds to employees on fixed-term or indefinite-term employment contracts with one of the Group's companies and recorded in the personnel registers on the last day of December, regardless of their work rhythm, and includes employees on maternity or adoption leave, employees seconded by another Group entity or employees absent for a long period (more than 6 months) whose position has been replaced, but excludes subcontractors, temporary workers, trainees, apprentices or holders of professionalization contracts, employees seconded to a company outside the Group and employees absent for a long period (more than 6 months) who have not been replaced.

[19] The Average Operational Workforce in Full-Time Equivalent (FTE) corresponds to the Operational Workforce existing at the end of each month of the previous year, adjusted to take into account part-time employees using the individual attendance rate, as well as employees present only part of the previous year, divided by 12.

The total number of departures at Group level during 2018 was 46, slightly above the 45 departures in 2017. The Group recruited 104 employees in 2018, a significant increase compared to 2017, when 64 employees were recruited. This increase is largely due to the increase in staff requirements in Germany for the reasons mentioned above (section 1.8.4.1).
The balance of job creation (number of hires - number of departures) at Group level is therefore largely positive in 2018 (+58 job creation).

	Number of recruitments		Number of departures [1] (including dismissals)		Departure rate at 31/12	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Germany	88	54	36 (7)	37 (4)	5,81	6,5
France	16	10	10 (4)	8 (3)	13,70	7,0
Group	**104**	**64**	**46**	**45**	**6,65**	**6,6**

[1] *Due to resignation, dismissal, retirement, fatal work accident (excluding commuting accident) or any other reason.*

1.8.5.3. Information on human resources management

- **Respect for human rights, fundamental conventions of the International Labour Organisation and the fight against discrimination**

During the 2015 and 2016 financial years, Recylex S.A. and all Group companies decided to formally adopt the Recylex Group Code of Ethics, which is intended to apply to all employees of all Group entities. Its update to include provisions relating to the fight against corruption and influence peddling was initiated in 2018, with the formal adoption and deployment of the new version of the Code of Ethics within all Group companies, in accordance with applicable regulations, scheduled for 2019.

The principle of non-discrimination is one of the fundamental principles of the Group's Code of Ethics. All Group companies respect human rights and fundamental freedoms and promote non-discrimination and equal treatment measures, particularly in the areas of employment and labour.

Thus, all Group companies ensure compliance with the provisions of the International Labour Organization's fundamental conventions relating to respect for freedom of association and the right to collective bargaining, the elimination of discrimination in respect of employment and occupation, the elimination of forced or compulsory labour, and the effective abolition of child labour.

Group companies ensure that there is no discrimination in recruitment, as well as throughout the career of employees within the various Group companies.

In addition, the General Equal Treatment Act, which transposes European directives in the fight against discrimination and came into force in Germany in 2006, is integrated into the Integrated Management System (IDM) of the Group's German subsidiaries and applicable within them.

Given the location of all Group companies in Western Europe, the Group's actions in favour of human rights are limited to those indicated in this section.

- **Professional equality between men and women**

Given the nature of the Group's activities in the recycling industry and the production of non-ferrous metals, the proportion of women in the Group is low compared to men.

According to a principle of professional and salary treatment equal to the same position and seniority, within the same company, women and men are classified according to the same professional grids according to the responsibilities of their workstation. Due to their size (most Group companies have a small number of employees), the same position is often held by only one woman or one man. As a result, any comparison of salaries between men and women by age group or function is made difficult.

Depending on the country in which they are located, various measures have been taken by Group companies to promote equal opportunities for men and women.
Thus, in accordance with French regulations, some of the Group's French companies have adopted an action plan relating to professional equality between men and women in specific areas of action to which progress objectives, actions and success indicators are linked.

The number of women in the Group increased by 1.2% in 2018 compared to 2017 and the breakdown between men and women over the last two years is as follows:

Breakdown of the Operational Workforce by gender at 31/12	2018		2017	
	Men	Women	Men	Women
Germany	551	68	505	62
France	57	15	94	20
Group	**608**	**83**	**607**	**82**

- **Work of disabled people**

The Group wishes to promote the integration of disabled workers at its various sites.

The measures implemented by Group companies in 2018 to promote the employment and integration of disabled people included opening up recruitment for certain positions, assigning them temporary work assignments, purchasing supplies or services from specialized establishments employing disabled workers or adapting certain workstations to their disability.

As of December 31, 2018, 32 disabled employees were employed within the Group.

- **Social relations**

The social dialogue takes place at the level of each Group company and gives rise to regular meetings and exchanges, both formal and informal, between employee representatives and the senior managers of each Group company in order to establish a constructive dialogue aimed at maintaining and continuously improving relations with employees.

The number of meetings held during 2018 varied according to the different Group companies:
- Between 13 and 50 for the Group's German subsidiaries, with Weser-Metall GmbH holding one meeting per week.
- Between 8 and 12 for the Group's French companies.

- **Summary of the social negotiations**

Social negotiations with employee representative bodies in Group companies during 2018 mainly focused on salary reviews, gender equality and employee profit-sharing.

In France, in 2018, a profit-sharing agreement for the years 2018-2020 was concluded within C2P S.A.S., based on quality, health and safety indicators, to motivate employees to the company's economic results while encouraging them to respect and implement the health, safety and environment policy. During 2018, mandatory annual negotiations (NAO) focused mainly on compensation.

With regard to the Group's German subsidiaries, negotiations between employers' and trade union organisations resulted in a 4.3% increase in basic wages as from April 2018 for companies operating in the metallurgy sector, and a 3.6% increase as from November 2018 for companies operating in the chemicals sector.

1.8.5.4. Total annual gross remuneration

The Group's employees are remunerated in particular according to their experience, their level of responsibility, the sector of activity concerned and local social regulations.

For the 2018 financial year, total gross annual remuneration[20] at Group level amounted to approximately 39,902 thousand euros, up 8.5% compared to 2017 (36,767 thousand euros). This increase is mainly due to the increase in operational staff in Germany.

In France, profit-sharing agreements are regularly renegotiated in Group companies and employees have the opportunity to join a company savings plan (PEE) in their company, which participates in this savings in the form of an employer contribution.

[20] *Total gross annual remuneration paid by the Group consists of amounts paid to Operational Employees in performance of their employment contracts before any deduction of tax or social security contributions and including additional remuneration (bonuses, overtime or other benefits paid in the year) except amounts awarded under the incentive agreement in France.*

1.8.5.5. *Absenteeism rate*

The absenteeism rate corresponds to the measurement of the number of Days of absence[21] (in Days of lost time) expressed as a percentage of the total number of working days initially planned according to applicable regulations, of the Operational Workforce over the past period.

The Group absenteeism rate increased by 18.9% in 2018 compared to 2017, mainly due to an increase in absenteeism in Germany:

Absenteeism rate (%)	2018	2017
Germany	7.1	5.6
France	5.2	7.0
Group	**6.9**	**5.8**

1.8.5.6. *Training*

Group companies assess the training needs of employees by collecting the wishes of the employees concerned directly or from their line managers, in particular during annual individual and professional interviews. Employees of the Group's German subsidiaries with responsibilities are also subject to a legal obligation to provide regular training in their areas of expertise such as the environment, energy, health and safety or first aid.

The table below shows the number of training hours devoted by the Group to its employees, by main themes:

	Total number of training hours[1] at Group level	Number of training hours per theme				
		Quality, Health, Safety, Security and Environment ("QHSE")	Technical trainings	Languages	First aid	Others[2]
2018	**9,495**	3,919	2,252	490	827	2,007
2017	**8,664**	3,147	2,427	337	902	1,853

[1] The training includes any type of internal or external training, excluding on-site support by managers or any type of training lasting less than 3 hours.

[2] Training classified in this category include management, IT, transport and employee representative training for the Group's German subsidiaries.

During the 2018 financial year, 41.3% of employee training at Group level was devoted to the QHSE theme.

1.8.5.7. *Health and Security at workplace*

Safety and health management is one of the priorities of the Group's Sustainable Performance Charter. In this context, one of the main commitments aims to improve the working conditions of staff and to measure and improve processes to prevent occupational diseases and work-related accidents in the performance of their duties.
The Group's companies have each developed their own Quality, Health, Safety and Environment (QHSE) policies, with the following objectives in particular:

- Encourage staff participation and raise awareness to develop better QHSE practices,
- To improve the working atmosphere,
- Reduce environmental and occupational risks through staff training.

In order to ensure the effective application of health and safety policies on their sites, the measures and actions implemented by Group companies to control compliance differ according to the sites and industrial activities concerned, even if they do not result from any agreement signed with trade unions or employee representatives:

- Implementation of a management system complemented by a documentation system accessible online by employees of the sites concerned,
- External audits as part of the certification of management systems implemented by accredited organizations,
- Periodic meetings related to occupational health and safety,
- Regular prevention and awareness-raising actions for employees in order to preserve their health,

[21] Days of absence are the number of days of lost time (i.e. full days that would normally be working days but on which employees do not work because of a particular event) during which Operational Employees were absent from Recylex S.A. during the calendar year because they were unable (for reasons other than a lost-time work accident or occupational illness) to perform their usual work, excluding authorized absences of any sort.

- Systematic use of the "cause-and-effect tree diagram" methodology after any incident or accident at work,
- Personalized medical monitoring through occupational medicine, reinforced for some sites by monitoring lead exposure for all exposed employees and subcontractors.

In addition, the occurrence of any potential accident is reported to Recylex S.A.'s General Management and a detailed analysis of the circumstances is carried out in order to propose corrective actions to prevent and reduce the risk of exposure of Group employees.

The Group's extra-financial reporting health and safety indicators are presented below.

1.8.5.7.1. Blood lead level

The blood lead level is the health indicator resulting from information provided by occupational physicians concerning members of the Operational Workforce exposed to lead emissions by measuring their blood lead level. This indicator is applicable to all exposed members of the Operational Workforce of Group companies.

This indicator has been identified as one of the key indicators of the Group's extra-financial performance. It is monitored at the level of each relevant Group site as part of its Quality, Health, Safety and Environment policy.

The average lead levels in the Group's Operational Workforce remained stable for 2018 compared to 2017, despite the exclusion of data relating to Recytech S.A., due to the start-up of Weser-Metall GmbH's new reduction furnace in 2018.

	2018	2017
Average lead levels of the Group's exposed personnel[1]	**136 µg/l**	**135 µg/l**

[1] *Average blood lead level of exposed members of the Group's Operational Workforce in accordance with the information provided by the occupational physician of the company concerned.*

At the regulatory level, discussions are continuing on a reduction in the European occupational lead exposure limit from 400 µg/L to 200 µg/L in blood. In parallel, since 2014, all member companies of the International Lead Association (ILA) have voluntarily undertaken to respect, for exposed employees, a lead concentration threshold of less than 300 µg/L in their blood.

1.8.5.7.2. Frequency rate of lost time work accidents

The frequency rate of the Group Lost Time Work Accident is calculated by dividing the total number of Lost Time Accidents (excluding commuting accidents) occurring in the Group by the total number of Hours Worked within the Group, multiplied by 1,000,000.

This indicator has been identified as one of the key indicators of the Group's extra-financial performance. It is monitored at each Group site as part of its Quality, Health, Safety and Environment policy and the international standard ISO 14001:2015.

The frequency rate of lost-time accidents at Group level increased from 32.21 in 2017 to 40.99 in 2018, an increase of 27.25% compared to 2017. This increase mainly concerns Weser-Metall GmbH due in particular to the installation and start-up of the new reduction furnace

Frequency rate	2018	2017
Germany	43.3	34.8
France	20.49	19.02
Group	40.99	32.21

1.8.5.7.3. Severity rate of lost time work accidents

The severity rate for lost-time accidents corresponds to the total number of calendar days of absence from work in relation to the total number of Hours Worked[22] within the Group multiplied by 1,000 following a lost-time accident (excluding commuting accidents).

[22] *The total number of hours worked is calculated, in order of preference (i) automatically by the IT system that manages working hours (actual hours), (ii) using the following formula: (average theoretical individual working hours during the year x average FTE number of Operational Employees during the year) + overtime - hours of absence for Operational Employees (actual hours), or (iii) by calculating the theoretical number*

The Group's lost-time accidents severity rate increased by 61.1% in 2018 compared to 2017.

Severity rate	2018	2017
Germany	1.2	0.8
France	0.57	0.48
Groupe	1.16	0.72

1.8.6. Societal information

1.8.6.1. Impact of the Group's activities

1.8.6.1.1. Road, olfactory or noise impact

Depending on their rural location or not, the Group's plants take measures to limit the impact of their activities on local populations, mainly related to road traffic and noise.

Measurements of the noise impact of the activities of the Group's subsidiaries and establishments are carried out at the property line of the Group's sites.

1.8.6.1.2. Releases to land

Releases to soil from the Group's operating sites are linked, for areas outside the plants, to dust fallout and, for internal areas, to the storage and handling of materials. In addition to simply complying with applicable regulations, Group companies monitor soil quality either by measuring atmospheric deposition or by periodic sampling and analysis to monitor soil quality.

Group companies and establishments limit the speeds of vehicles travelling inside plants, which has a positive impact on reducing dust fallout volumes both at and near the sites concerned.

1.8.6.2. Dialogue with local associations and populations, partnership and sponsorship

As part of its Sustainable Performance Charter, the Recylex Group explicitly aims to engage in dialogue with local and national stakeholders. Thus, Group companies attach particular importance to establishing and developing close relationships with their main stakeholders in order to enhance their integration into the circular economy, their businesses, their industrial and environmental performance and also to establish an open and transparent dialogue over the long term.

Group companies are members of the various professional associations most representative of their activities in order to improve their know-how, develop their relationships with stakeholders in their sector of activity, learn and develop best practices and promote the role of the circular economy in Europe. Group companies also maintain close relationships with local and regulatory authorities. They also participate in numerous national and international trade fairs. Most Group companies also carry out local actions aimed at promoting their image, for example by supporting charitable, sports or cultural associations, through donations, patronage or the purchase of advertising space or by assisting them in the preparation of scientific conferences or seminars.
Recylex S.A.'s French sites align their QHSE Policy and Objectives with the Group's Sustainable Performance Charter. As such, they ensure in particular that they meet the expectations and needs of interested parties, but also develop long-term relationships with them and with various local associations. Thus, these sites are taking proactive actions to establish and maintain a lasting relationship with external stakeholders, in particular through a policy of opening up the sites, discovering the professions of the circular economy and the QHSE aspects related to recycling and industrial production. In addition, they ensure that they maintain an attentive listening ear and systematically answer all external questions expressed.
As part of their policy of openness and dialogue, Recylex S.A. and C2P SAS participated in the 2018 Industry Week, a national event organized by the DGE (Direction Générale des Entreprises, under the authority of the Ministry of the Economy and Finance).

On the strength of the success of these operations, the Recylex S.A. and C2P S.A.S. sites have committed to pursuing this policy of openness.
In order to cultivate their territorial roots, Recylex S.A. and C2P SAS also support local sports and cultural associations that solicit them for donations or sponsorship actions.

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of hours worked during the calendar year in accordance with local legislation or the applicable contract, without taking into account overtime or hours of absence (theoretical method).

In the Plastics business sector, C2P France buys and recycles corks collected by associations, particularly for the disabled. Recylex S.A.'s headquarters in Suresnes collects used corks from its employees for the benefit of an association.

Most of the Group's German companies maintain relations with universities in Germany in order to ensure an exchange of information, particularly concerning technical, environmental and occupational safety issues, for example through scientific seminars or conferences. Their local involvement is also marked by financial support for local associations providing assistance to people.

1.8.6.3. Relations with related parties and consumers

The Group's various companies recruit employees from the local area and develop relations with local suppliers and service providers. Subcontracting by Group companies allows for activities specific to the Group's business lines to be developed on a local basis.
The Group aims to involve suppliers and service providers in sites' QHSE policies, and to meet the demands of customers and interested parties with regard to QHSE. Some Group companies have introduced procedures to assess the quality of their suppliers or have sent out their environmental policy to their principal subcontractors.

In addition, the procurement policy of relevant Group companies takes account of the employee-related and environmental issues that arise throughout the supplier selection process (preference given to local suppliers to curb the impact on the Group's carbon footprint). These include selecting materials (preference given to non-toxic materials and products), monitoring deliveries and, if applicable, monitoring any anomalies and remedial action to be taken by sending out non-compliance forms.

In addition, good practices are implemented by Group companies, in particular to prevent any risk of corruption, such as the display of rules of good conduct, the control of the proper application of internal procedures to prevent risks of corruption, the separation of commercial negotiation and control functions (deliveries, accounting) and the application of the principle of double signature ("four-eyes principle"). During 2017, the Group, with the help of an external firm, mapped the risks of corruption and fraud to which Group companies could be exposed. On the basis of this mapping, specific actions to strengthen measures to prevent these risks have been implemented, in particular the update of the Group's Code of Ethics to incorporate the Group's anti-corruption policy, whose formal adoption by all Group companies and deployment will be implemented during 2019. In addition, the Legal Service has also raised specific awareness of this issue. As Group companies are subject to corporate income tax rules in France and Germany, they are not concerned by issues related to the fight against tax evasion.

Group companies do not carry out any activities directly related to consumers. Nevertheless, since the recycling of waste, particularly automotive batteries, is the Group's core business, this activity indirectly contributes to the preservation of consumer health and safety, reinforced by the free provision of waterproof stainless steel containers for the safe transport of this hazardous waste.

Finally, given the nature of their activities and in particular the fact that they do not have their own company restaurants, Group companies are not concerned by the issues related to the fight against food insecurity, respect for animal welfare and responsible, fair and sustainable food.

2. RECYLEX SA

2.1. Situation and activities of Recylex S.A.

Recylex S.A. is the parent company of a French group, which is a major player in Europe's circular economy. It is listed on the Paris Stock Exchange. Its operational activities include the collection, processing and recycling of scrap lead batteries, while it also provides corporate services as the parent holding company of a group. It also manages a number of environmental liabilities it inherited from the industrial legacy of Société Minière et Métallurgique de Peñarroya SA.
Recylex S.A.'s sales totaled €75.5 million in FY 2018, compared to €91.1 million in FY 2017. In the Lead segment, its scrap battery processing plants in Escaudœuvres (Nord department) and Villefranche-sur-Saône (Rhône department) processed a volume of around 71,000 tonnes of batteries in FY 2018, down from around 91,000 tonnes in FY 2017.

In 2018, a total of around €1,244,000 was invested in Recylex S.A.'s two production sites.

The business activities of Group companies in FY 2018 are presented in section 1 of this Report.

2.2. Key developments and major events concerning Recylex S.A.

The other key developments and major events concerning Recylex S.A. are presented in detail in section 1.2 of this Report.

2.3. Results and financial position of Recylex S.A.

The parent company financial statements for FY 2018, have been prepared in accordance with French GAAP and are comparable with the previous year.

In the financial year to December 31, 2018, Recylex S.A. recorded a net loss of €65,051,756.78 compared to income of €6,493,991.45 in FY 2017.

Recylex S.A.'s income statement for FY 2018 showed:

- A weaker operating performance, leading to a FY 2018 loss of €3.2 million compared to income of €1.1 million in FY 2017. The scrap battery recycling business generated operating income of €4.0 million in FY 2018, while the holding company and the remediation of the former mining sites gave rise to an operating loss of €7.2 million
- €62.6 million in net financial expense compared to €5.4 million in net financial income in FY 2017 as a result of the €56.0 million impairment loss on investments in the German sub-group, the €10.7 million depreciation of the loan granted to Weser-Metall GmbH, the €5,0 million depreciation of the current account receivable towards Recylex GmbH, all these impairments being partially offset by the €10.4 million in dividend payments received from Recytech SA
- €0.7 million in net non-recurring income compared to €0.1 million in net non-recurring expense in FY 2017.

It will be proposed at the Shareholders' Meeting to approve the annual financial statements for the year ended December 31, 2018, and to allocate the entire loss of €65,051,756.78 to "retained earnings", which, after appropriation, will show a debit balance of €59,119,571.90.

As a reminder, no dividend has been paid during the past three financial years.

2.3.1. Debt analysis

As of December 31, 2018, Recylex S.A.'s debt from financial and operating sources amounted to 56.8 million euros compared to 58.4 million euros in 2017 (see Note 2.7 to the 2018 parent company financial statements).

On December 15, 2015, the Paris Commercial Court approved the successful implementation of Recylex S.A.'s 10-year continuation plan adopted in November 2005. The company will have spent a total of 58 million euros under this plan. Certain creditors of the continuation plan, including Glencore International AG, have agreed to defer to 2019, i.e. beyond the expiry of the continuation plan set for the end of 2015, the repayment of the balance of their claims under the plan. As of December 31, 2018, Recylex S.A.'s financial debt in respect of deferred receivables amounted to 7.9 million euros. Under the European Commission's plan to stagger the payment of the fine, the repayment of these receivables in the amount of 5.1 million euros has been deferred to 2026.

As a reminder, Recylex S.A. concluded:

- In 2014, a €16 million loan agreement with Glencore International AG in order, notably to finance the final installments of the continuation plan. As of December 31, 2018, the Company had drawn down this loan in full. As part of the European Commission's plan to defer payment of the fine, the repayment deadline for this loan has been extended to 2024. Full details of this loan agreement are provided for in Notes 32.5.1.2 and 39 to the consolidated financial statements for the year ended December 31, 2018.
- In 2017, a deferral agreement of the payment of the fine of 26.7 million euros with the European Commission.

2.3.2. Supplier and customer's payment terms

The analysis at end-2018 of trade payables and trade receivables by due date, in accordance with Articles L. 441-6-1 and D. 441-4 of the Commercial Code was as follows:

As at 31 Dec 2018	Article D. 441 I-1° : Received invoices unpaid at the closing date whose deadline has expired						Article D. 441 I-2° : Issued invoices unpaid at the closing date whose deadline has expired					
	0 day	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)	0 day	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)
(A) Range of delayed payment												
Number of concerned invoices	168					98	20					8
Total amount of concerned invoices (incl tax)	1,008,198 €	578,867 €	20,309 €	13,401 €	13,951 €	626,528 €	5,103,574 €	5,930,247 €	6,555 €	4,856 €	0 €	5,941,658 €
Total purchase amount (incl tax) percentage of the exercise	1.30%	0.74%	0.03%	0.02%	0.02%	0.81%						
Sales revenue percentage of the exercise (incl tax)							6.65%	7.73%	0.01%	0.01%	0.00%	7.75%
(B) Excluded Invoices from (A) concerning litigious debts and receivables or unrecorded												
Number of excluded invoices	-	3	-	-	-	-	-	-	-	-	-	-
Amount of excluded invoices (incl tax)	0 €	48,448 €	0 €	0 €	0 €	0 €	0 €	0 €	0 €	0 €	0 €	0 €
(C) Reference payment term used (contractual or legal term - article L. 441-6 or article L. 443-1 of Commercial code)												
Payment term used for the calculation of delayed payments	- Contractual terms: variable according to the supplier. The Invoices of raw materials and freights are usually paid immediately. The other suppliers grant payment terms between 7 and 60 days.						- Contractual terms: between 7 and 45 days.					

2.3.3. Five-year financial summary

A table showing Recylex S.A.'s results over the past five years is provided in section 2.10 of this Report.

2.3.4. Non-deductible expense

In accordance with the requirements of Article 223(4) and 223(5) of the General Taxation Code, we hereby inform you that the amount of expenses that were not tax deductible, as defined in Article 39-4 of the above code, was €21,805 in FY 2018.

2.3.5. Research & Development

The Company incurred no significant research and development expense in FY 2018.

2.4. Description of the main risks and uncertainties to which Recylex S.A. is exposed

The specific risks to which Recylex S.A. and its French sites are exposed are presented in sections 1.2, 1.4 and 1.7 of this Report.

2.5. Significant post-balance sheet events

The material post-balance sheet events are presented in section 1.4 of this Report.

2.6. Recylex S.A.'s outlook and prospects

The outlook and prospects of the Group are presented in sections 1.4 and 1.5 of this Report.

2.7. Acquisitions of equity investments and controlling stakes – existing branches

Recylex S.A. did not acquire any significant equity investments or controlling stakes as defined in Article L. 233-6 of the Commercial Code during FY 2018.

The Company has no existing branch.

2.8. Information regarding Recylex S.A.'s share capital

For further information about Recylex S.A.'s share capital, see Note 2.5 to the 2018 parent company financial statements.

2.8.1. Ownership of the share capital

2.8.1.1. Ownership of the share capital and voting rights

Ownership of Recylex S.A.'s share capital is as follows:

	Number of shares outstanding	% of share capital	Number of shares outstanding	% of share capital
	At December 31, 2018		*At December 31, 2017*	
Glencore Finance (Bermuda) Ltd	7,703,877	29.76	7,703,877	30.21
Treasury stock	23,939	0.09	23,939	0.09
Free float	18,158,666	70.15	17,772,666	69.70
Total	***25,886,482***	***100***	***25,500,482***	***100***

	Number of (theoretical*) voting rights	% of share capital	Number of (theoretical*) voting rights	% of share capital
	At December 31, 2018		*At December 31, 2017*	
Glencore Finance (Bermuda) Ltd	8,944,877	32.89	8,944,877	33.33
Treasury stock	23,939	0.09	23,939	0.09
Free float	18,226,941	67.02	17,865,882	66.58
Total	***27,195,757***	***100***	***26,834,698*** [(1)]	***100***

** Pursuant to Article 223-11 of the AMF's General Regulation, the total number of voting rights is calculated based on all the shares carrying voting rights, including treasury shares, on which the voting rights may not be exercised.*

[(1)] *After December 31, 2017, it emerged that treasury shares had been counted twice. After correction of this clerical error, the number of (theoretical) voting rights stood at 26,810,759 at December 31, 2017.*

The nominal share capital of €9,577,998.34 comprised 25,886,482 fully paid-up shares each with par value of €0.37 at December 31, 2018.

At its meetings of June 5, 2018 and September 28, 2018, Recylex S.A.'s Board of Directors formally recorded the completion of increases in the Company's share capital by an aggregate nominal amount of €142,820, lifting it from €9,435,178.34 to €9,577,998.34 at December 31, 2018 (made up of 25,886,482 fully paid-up shares belonging to the same class each with par value of €0.37) through the issue of 386,000 new ordinary shares between January 1, 2018 and December 31, 2018 given (i) the exercise of 250,000 share subscription warrants in connection with the aforementioned equity line, and (ii) the issue of 136,000 new shares through the stock options exercised.

Under Recylex S.A.'s Articles of Association, double voting rights are assigned to all fully paid up registered shares that have been owned by the same shareholder for at least two years from the end of the calendar year prior to the date of the Shareholders' meeting. At December 31, 2018, 1,309,275 Recylex S.A. shares carried double voting rights. With the exception of these double voting rights, no shares carry different voting rights.

At December 31, 2018 and at the date hereof, there were no stock options outstanding.

As at December 31, 2019, ownership of the share capital and voting rights were as follows:

	Number of shares outstanding	% of share capital	Number of (theoretical*) voting rights	% of share capital
		At December 31, 2019		
Glencore Finance (Bermuda) Ltd	7,703,877	29.76	8,944,877	32.87
Treasury stock	23,939	0.09	23,939	0.09
Free float	18,158,666	70.15	18,241,137	67.04
Total	***25,886,482***	***100***	***27,209,953***	***100***

** Pursuant to Article 223-11 of the AMF's General Regulation, the total number of voting rights is calculated based on all the shares carrying voting rights, including treasury shares, on which the voting rights may not be exercised.*

2.8.1.2. Major shareholders

Based on declarations received at December 31, 2018 under regulations regarding ownership thresholds and the notification of significant shareholdings, no shareholders, other than Glencore Finance (Bermuda) Ltd, hold more than 5% of the share capital or voting rights in the Company either directly or indirectly.

Glencore Finance (Bermuda) Ltd is part of the Glencore Group, one of the world's largest natural resources companies and one of the biggest companies in the FTSE 100 index. The Glencore Group's industrial and marketing activities are supported by a global network of over 90 locations in more than 50 countries, and it employs around 190,000 people, including contractors.
Listed on the London, Hong Kong and Johannesburg stock exchanges, the Glencore Group operates in three separate areas of business:

- Metals and mining: chiefly copper, nickel, zinc/lead, alloys, alumina/aluminum and iron ore.
- Energy products: chiefly coal and oil.
- Agricultural products: mainly grains, oils/oilseeds, cotton and sugar.

2.8.1.3. *Crossing of ownership thresholds*

On May 11, 2018, Glencore Finance (Bermuda) Ltd informed Recylex S.A. that its shareholding fell below the 30% threshold on May 9, 2018 as a result of the increase in the number of shares outstanding following the issue of new shares under the equity line.

2.8.1.4. *Stock options*

On September 26, 2008, the Board of Directors granted stock options to certain Group employees under the authorization given by the Shareholders Meeting of July 28, 2006 up to 3% of the Company's share capital. This stock option plan expired on September 26, 2018, when the 129,500 stock options granted but not exercised automatically became null and void.

At December 31, 2018, no more shares could potentially be issued through the exercise of stock options:

Date of grant	Number of options outstanding at 12/31/2017	Options canceled	Options exercised	Options lapsed	Number of options outstanding at 12/31/2018	Exercise price (in euros)	Plan expiration date
09/26/2008	265,500		136,000	129,500	0	5.70	09/26/2018
Total	265,500		136,000	129,500	0	5.70	

2.8.1.5. *Information relating to operation on shares by members of the Board, managers and persons mentioned in Article L. 621-18-2 of the French Monetary and Financial Code*

To the knowledge of the Company, no operation within the scope of article L. 621-18-2 of the French Monetary and Financial Code had been realized during the financial year ended December 31, 2018.

2.9. Corporate governance

Pursuant to the provisions of Article L. 225-37 of the Commercial Code, the purpose of this section is to present the corporate governance disclosures and report to you on:

- application of the recommendations contained in the MiddleNext corporate governance code for small and midcaps (the "MiddleNext Code"), the provisions that have not been applied and the reasons why they were not applied
- the composition of Recylex S.A.'s Board of Directors, application of the principle of balanced gender representation on the Board, and the conditions under which its work was prepared and organized in the financial year ended December 31, 2018
- any restrictions placed by the Board of Directors on the powers of Recylex S.A.'s Chief Executive Officer
- the principles and rules laid down by the Board of Directors to determine the remuneration and benefits in kind awarded to Recylex S.A.'s corporate officers
- the internal control and risk management procedures implemented by Recylex S.A., in particular procedures relating to the preparation and processing of accounting and financial information for the parent company and consolidated financial statements
- the arrangements under which shareholders may attend and take part in shareholders' meetings.

In this section, except where otherwise specified, the term "Group" means Recylex S.A. and its subsidiaries within the meaning of Article L. 233-1 of the Commercial Code.

2.9.1. Recommendations of the MiddleNext Corporate Governance Code

Recylex S.A. wishes to comply with best practice in corporate governance. Its Board of Directors took the view that the MiddleNext Code offered an alternative for small and midcaps and was better suited to the size and structure of Recylex S.A. than the AFEP-MEDEF Corporate Governance Code.
Having apprised itself of the MiddleNext Code, Recylex S.A.'s Board of Directors decided, effective FY 2010, to refer, within the meaning of Article L. 225-37-4 8° of the Commercial Code, to the MiddleNext Code instead of the AFEP-MEDEF Corporate Governance Code to which it had previously referred. The MiddleNext Code may be consulted on Recylex S.A.'s website3.

[3] *(www.recylex.eu – Group – Governance – Middlenext Code).*

The recommendations of the MiddleNext Code with which Recylex S.A. complies are presented in this section, while the following table contains a summary of the recommendations with which Recylex S.A. either does not comply or only partially complies, together with the reasons why this is so, in accordance with Article L. 225-37-4 8° of the Commercial Code.

MiddleNext Code Recommendation	*Recylex S.A.'s practices and explanations*
Code of conduct applicable to members of the Board (Recommendation no. 1): (…) - Every Board member should assiduously attend and take part in meetings of the board and committees of which s/he is a member (…) - Every Board member must attend shareholders' meetings (…)	Recylex S.A.'s Board of Directors believes that in view of the lively and extensive exchanges between the Chairman and Chief Executive Officer and Board members both during and outside meetings, it is not essential for the members to attend every meeting in order for the Board to operate properly and effectively.
Succession planning for senior executives (Recommendation no. 14): The recommendation is that succession planning should be a regular agenda item for the Board or for a Board committee to ensure that the issue is addressed and monitored on an annual basis. (…)	Recylex S.A.'s Board of Directors has entrusted the Remuneration and Nomination Committee with responsibility for succession planning for senior executives. While it believes the issue is strategically important and needs to be addressed on a regular basis, it does not consider that this necessarily needs to be done on an annual basis.
Establishment of Board committees (Recommendation no. 6): (…) Independent directors should chair the Board committees and especially the Audit committee.	Recylex S.A.'s Board of Directors believes that the Audit Committee should be chaired by a non-executive director with "relevant financial or accounting expertise" as defined in law, even if said director does not meet all the requirements for classification as independent.
Establishment of Internal Rules of Procedure for the Board (Recommendation no. 7): The recommendation is for the Board to introduce internal rules of procedure covering at the very least the following eight areas: (…) • directors and officer's liability insurance • rules for calculating directors' remuneration • succession planning for senior executives and key personnel (…)	Recylex S.A.'s Board of Directors believes that its Board of Directors' internal rules and regulations are satisfactory and appropriate for its smooth operation and that it should not contain either disclosures made in the Company's Annual Report or updated regularly, or information that should remain confidential in the interests of the Company.

2.9.2. Composition of the board, and preparation and organization of its work

2.9.2.1. Composition, organization and operation of the Board of Directors

2.9.2.1.1. Composition of the Board

Recylex S.A.'s Articles of Association stipulate that each Director is to be elected for three years and to hold at least 20 shares. The Company complies with Recommendations no. 8 and no. 9 of the MiddleNext Code relating to the selection of members of the Board, and their term of office.

The Board of Directors had the following five directors as at December 31, 2018:

Nom	Offices held	Committee role	Age at 12/31/2018	Date of first appointment/ Most recent reappointment	Expiration date of office	Number of Recylex S.A. shares held at 12/31/2018
M. Sebastian RUDOW	Chairman and Chief Executive Officer	None	38 years old	11/30/2017 *	Shareholders' meeting to approve the financial statements for the year ending Dec. 31, 2019	200 shares
M. Christopher ESKDALE	Director	Chairman of the Audit Committee Member of the Remuneration and Nomination Committee (RNC)	49 years old	5/12/2014 – 7/11/2017	Shareholders' meeting to approve the financial statements for the year ending Dec. 31, 2019	100 shares
Mme Diana KISRO-WARNECKE	Independent Director	Member of the Audit Committee and the RNC	45 years old	07/11/2017	Shareholders' meeting to approve the financial statements for the year ending Dec. 31, 2019	30 shares
Mme Laetitia SETA	Director	None	43 years old	5/6/2011 – 07/11/2017	Shareholders' meeting to approve the financial statements for the year ending Dec. 31, 2019	20 shares
M. Jean-Pierre THOMAS	Independent Director	Chairman of the RNC Member of the Audit Committee	61 years old	5/12/2009 – 6/5/2018	Shareholders' meeting to approve the financial statements for the year ending Dec. 31, 2020	20 shares

**Iin accordance with the ratification by the Combined Shareholders' Meeting on June 5, 2018 of the co-option of Sebastian RUDOW as a director (Sixth resolution)*

On February 6, 2020, Ms. Karin LATTWEIN was appointed by the Board of Directors as a replacement of Ms. Diana KISRO-WARNECKE. The Board of Directors has considered that Ms. Karin LATTWEIN is an independent director, pursuant to article L823-19 of the French Commercial code and of the Internal Rules and Regulations of the Board of Directors. The ratification of the cooption of Ms. Karin LATTWEIN is submitted to the General meeting of July 29, 2020.

As the terms of office of Mr. Sebastian RUDOW, Mr. Christopher ESKDALE, Ms. Laetitia SETA and Ms. Karin LATTWEIN are due to expire during the financial year 2020, it is proposed to the General Meeting of Shareholders of July 29, 2020 to renew the terms of office of these directors for a period of three (3) years expiring at the end of the General Meeting called to approve on the financial statements for the financial year ending 31 December 2022.

The profiles of Recylex S.A.'s directors during the financial year 2018 are presented below:

- ✓ **Sebastian RUDOW** has been Recylex S.A.'s Chairman and Chief Executive Officer since November 30, 2017. His co-option as a director was ratified by the Combined Shareholders' Meeting of June 5, 2018.

Sebastian RUDOW, a German national born in 1980, holds a degree in law from the University of Mannheim (Germany) and a master's degree from the University of Heidelberg (Germany).
Before joining Recylex, he had been a partner since November 2014 in Wellensiek, a firm specialized in advising managers, business owners and boards of directors on turnaround solutions for distressed companies.

In addition to his consulting activities, he has held several appointments as a director in various industries over the past decade.

- ✓ **Diana KISRO-WARNECKE** was a director of Recylex S.A. from July 11, 2017 and until December 12, 2019, her mandate having been renewed for three years on July 11, 2017. She was also a member of Recylex S.A.'s Audit Committee and of its Remuneration and Nomination Committee. She has been replaced by Ms. Karin LATTWEIN on February 6, 2020.

CEO of Dr. K&K ChinaConsulting, an international consulting firm, having been its owner since June 2004, Ms. KISRO-WARNECKE advises mid-sized groups and enterprises. For the past ten years, Ms. KISRO-WARNECKE has been a member of regional government and federal German government delegations. She is a certified bank clerk and took over the family business with an educational focus at the age of 19 and made it the market leader in Germany.

Ms. KISRO-WARNECKE, a German national born in 1973, studied economics at the University of Hanover and the University of Hamburg. She holds a MBA degree in information technology from the University of Liverpool and gained a PhD in marketing and management from the University of Hanover. Ms. KISRO-WARNECKE has served as an assistant professor with distinction and as a lecturer since 2011.

- ✓ **Laetitia SETA** has served as a director since May 6, 2011, and she was most recently reappointed on July 11, 2017 for a term of three years.

Ms. Laetitia SETA is an asset manager with the Glencore Group. Ms. SETA began her career as a consultant with PriceWaterhouseCoopers in Paris before joining the Glencore Group, where she has held several positions. She has served as head of Internal Control and of the Price Risk Management Department for the metallurgists Portovesme Srl (Italy) and Philippines Associated Smelting and Refining Corporation (Philippines). She also served as Project Controller and Director of the new copper smelter construction project at Mopani Copper Mines (Zambia) and project controller for mining investments at Sinchi Wayra SA (Bolivia).

In 2008, she joined Glencore International AG in Switzerland as Asset Manager and Trader within the Zinc-Lead-Copper Department. She has also been a member of the Board of Philippines Associated Smelting and Refining Corporation (Philippines).

Ms. SETA, a French national born in 1975, holds an engineering degree in energy technologies from the École Polytechnique Féminine de Sceaux (France) and a master's degree in management and financial techniques from the University of Paris-Dauphine (France).

- ✓ **Jean-Pierre THOMAS** has been a director of Recylex S.A. since May 12, 2009. His term of office was most recently renewed on June 5, 2018 for a period of three years. He is also Chairman of Recylex S.A.'s Remuneration and Nomination Committee and a member of the Audit Committee.

Mr. THOMAS, who was a managing partner of investment bank Lazard between 1998 and 2013, advising on mergers and acquisitions, private equity and asset management, is now the chairman of his own company, THOMAS Vendôme Investment.

Before joining Lazard, he worked at Christian Dior in 1978 and then in the marketing and financial management teams at Procter & Gamble in 1981. He was a member of the Lorraine Regional Council, Vice-Chairman then Chairman of the Lorraine Regional Council Finance Committee, Member of the French Parliament for the Vosges region. During his political career, Mr. THOMAS sponsored the Act of March 25, 1997 creating retirement savings plans (known as the "THOMAS Act").

He is Chairman of the Scientific Committee of Le Cercle de l'Epargne, a think-tank of the AG2R La Mondiale group.

Born in Gerardmer (Vosges department) in 1957, Mr. THOMAS has a degree in finance and management from SupdeCo and a doctorate in economics from Paris II University.

- ✓ **Christopher ESKDALE** has been a director of Recylex S.A. since May 12, 2014. He was reappointed for a term of three years and is also the Chairman of the Audit Committee and a member of the Remuneration and Nomination Committee.

Mr. ESKDALE currently manages the industrial asset management department of the Glencore Group's Zinc segment. He joined the Glencore Group in January 1996 as an asset manager. Previously, he had worked as an accountant with Deloitte & Touche in London and Moscow. Mr. ESKDALE is a member of the Board of Directors of a number of listed international mining companies, including Trevali Mining Corporation and Noranda Income Fund Inc. (Canada), Perubar SA, et Volcan Compania Minera SAA (Peru).

Born in 1969, Mr. ESKDALE is a qualified chartered accountant in England and Wales.

The list of other directorships and posts held in other companies by members of the Board of Directors during FY 2018 is as follows:

Sebastian RUDOW	*Foreign companies*	- Director of German Strube GmbH & Co. KG (in liquidation) - Director of Recytech SA
Christopher ESKDALE	*Foreign companies*	- Director of Trevali Mining Corporation* - Director of Perubar SA* - Director of Volcan Compania Minera SA, Noranda Income Fund, Inc.* - Employee of Glencore International AG*
Laetitia SETA	*Foreign companies*	- Employee of Glencore International AG*
Diana KISRO-WARNECKE		None
Jean-Pierre THOMAS	*Foreign companies*	- Director of Rusal *

** Listed company*

The profile of Ms. Karin LATTWEIN, Director during financial year 2020 is presented hereinafter:

✓ **Karin LATTWEIN** has been a director of Recylex S.A. since February 6, 2020, date of her cooption by the Board and subject to ratification by the General Meeting of July 29, 2020. She is also the Chairwoman of the Audit Committee as from April 27, 2020 and a member of the Remuneration and Nomination Committee.

Ms. LATTWEIN is currently heading the financial department of an EOM-owned dealership in Stuttgart. She started her career as an investment controller at DaimlerChrysler AG, before joining Porsche AG in 2006 where she was Director of Group Risk Management from 2010 to 2015.

Of German nationality, Ms. LATTWEIN has an MBA from the University of Hohenheim in Stuttgart.

The list of other directorships and posts held in other companies by members of the Board of Directors during FY 2020 is as follows:

Sebastian RUDOW	*Foreign companies*	- Director of German Strube GmbH & Co. KG (in liquidation) - Director of Recytech SA
Christopher ESKDALE	*Foreign companies*	- Director of Trevali Mining Corporation* - Director of Perubar SA* - Director of Volcan Compania Minera SA, Noranda Income Fund, Inc.* - Employee of Glencore International AG*
Laetitia SETA	*Foreign companies*	- Employee of Glencore International AG*
Karin LATTWEIN **	*Foreign companies*	- Employee of Porsche Niederlassung Stuttgart GmbH
Jean-Pierre THOMAS		None

** Listed company*

*** The ratification of the cooption of Ms. Karin LATTWEIN is submitted to the approval of the General Meeting of July 29, 2020*

- **Independence of directors**

According to Recommendation no. 3 of the MiddleNext Code, “to qualify as independent, Board members […] must not have any significant financial, contractual, family or close ties liable to affect the independence of their judgment:

- *Must not have been for the past five years and must not be an employee or executive officer of the Company or of a company in its Group*
- *Must not have been for the past two years and must not be in a material business relationship with the Company or its Group (customer, supplier, competitor, service provider, creditor, banker, etc.)*
- *Must not be a core shareholder of the Company or hold a material percentage of the voting rights*
- *Must not have close or family ties with a corporate officer or core shareholder*
- *Must not have been a Statutory Auditor of the Company for the past six years.*

At its meeting on March 28, 2019, the Board reviewed the status of each of its members in relation with the aforesaid criteria and considered that Mr. RUDOW, an executive director of Recylex S.A., and Mr. ESKDALE and Ms. SETA, who are employees of the Group to which Recylex S.A.'s core shareholder belongs, did not qualify as independent directors.

The Board took the view that Mr. THOMAS and Ms. KISRO-WARNECKE meet the criteria of "independent" director as defined by Recommendation no. 3 of the MiddleNext Code and the Internal Rules and Regulations of the Board of Directors (the "Internal Regulations")[4]. It should be emphasized that a designation as independent director is not a value judgment. Independent directors do not have personal qualities that differ from those of the other directors so as to make them more likely to act in the shareholders' interests. Directors are informed individually of the essential responsibilities entrusted to them and remain sensitive to the interests of all shareholders in the Board's discussions and decisions in Recylex S.A.'s interests.

Where they face a conflict of interest, and depending on its precise nature, directors must either abstain from voting, or even participating in discussions, or, in extreme cases, resign, in accordance with recommendation no. 1 of the MiddleNext Code. In accordance with the Board's Internal Rules and Regulations, no disclosure constitutes an acknowledgment that no conflict of interest exists.

The Board considers that in addition to their ability to take into account the interests of all shareholders, Recylex S.A.'s directors have also been selected for their skills and expertise, their experience and their thorough understanding of the strategic challenges facing the Group. Given the Group's size and structure, the Board wishes to maintain a limited number of directors, as its members in its current configuration possess varied and complementary technical expertise.

- **Policy of diversity and representativeness on the Board of Directors**

As Recylex S.A.'s Board of Directors includes two women among its members, the proportion of women on the Board of Directors is 40%, in accordance with Article L.225-18-1 of the French Commercial Code.

In accordance with Recylex S.A.'s Articles of Association, the age limit for serving as a Director is 75 years. As of December 31, 2018, no Director of the Company was more than 75 years old and the average age of the board members was 47.

In view of the Directors' qualifications and professional experience, the Company endeavors to ensure that its Board of Directors is composed of members with complementary areas of expertise that are consistent with the business of Recylex S.A. and the other companies of the Recylex Group. This policy applies both to the general skills of Board members (technical, economic, commercial, legal or communications) and to their sectoral skills (in particular the metals industry and the automotive sector).

2.9.2.1.2. Organization and operation of the Board

- **Arrangements for the organization and operation of the Board**

The arrangements for the organization and operation of the Board are determined in Recylex S.A.'s Articles of Association and defined in the Internal Rules and Regulations of the Board of Directors, in compliance with Recommendation no. 7 of the MiddleNext Code, which advocates the introduction of such rules.

In addition, the schedule of Board meetings is set in advance and reminders are issued from one meeting to the next. The Statutory Auditors are invited to Board meetings that examine and approve the accounts. As a rule, Board meetings open with approval of the minutes of the previous meeting. Decisions are then put to the directors in the order in which they appear on the agenda. The directors discuss each decision before taking a vote. When the discussions have ended and there is no other business, the Chairman adjourns the meeting and reminds the directors of the date of the next meeting.

- **Meetings of the Board of Directors and main matters considered**

In FY 2018, the Board of Directors met seven times, with an average attendance rate of 84%. Meetings lasted for 1 hour 10 minutes on average.

In FY 2018, the main matters considered by the Board were as follows:

- The Group's performance and results
- Budgets and investments planned by Group companies
- Recylex S.A.'s policy with regard to gender equality and equal pay

[4] *The Internal Rules and Regulations, which may be consulted on the Company's website (www.recylex.eu – Group – Governance – Internal Rules and Regulations), may be amended by the Board of Directors at any time.*

- Review and approval of the annual financial statements of Recylex S.A. and of the consolidated financial statements for the year ended December 31, 2017
- Review and approval of the condensed interim financial statements for the six-month period to June 30, 2018
- Agreements referred to in Articles L. 225-38 et seq. of the Commercial Code
- Changes to the Audit Committee's terms of reference
- Preparations for the Annual Shareholders' Meeting
- The follow-up on industrial projects set in motion by its subsidiaries, and chiefly the project to build Weser-Metall GmbH's new reduction furnace
- Business trends of the Group's subsidiaries
- Developments in the ongoing litigation involving Recylex S.A.
- Formal recognition of the capital increases resulting from the issues of new shares under the equity line financing and in connection with the stock option plan of September 26, 2008
- Allocation of directors' fees to the members of the Board of Directors

- **Information provided to directors**

Documents, technical files and other information relating to the agenda of each Board meeting are provided to the directors by e-mail and/or via a dedicated secure IT system within a reasonable time, in compliance with Recommendation no. 4 of the MiddleNext Code, with which Recylex S.A. complies. In addition, directors make their own assessment as to whether the information provided to them was adequate in the annual self-assessment in accordance with Recommendation no. 11.

Furthermore, in compliance with Recommendation no. 4 of the MiddleNext Code, the directors are kept regularly informed between meetings of any event or information liable to have an impact on Recylex S.A.'s commitments, financial situation or cash flow, when Recylex S.A.'s situation so warrants.

Directors are provided individually with all the information they need to perform their assignment and may ask to receive all documents they consider useful. The directors individually assess whether the information provided was sufficient and, where appropriate, they may request all additional information they consider relevant in accordance with Recommendation no. 4 of the MiddleNext Code.

2.9.3. Board Committees

The purpose of the committees established by the Board is to prepare certain decisions to be made by the Board by giving their opinions, recommendations or proposals to the Board in accordance with Recommendation no. 6 of the MiddleNext Code.

2.9.3.1. Remuneration and Nomination Committee

- **Members at December 31, 2018**

Jean-Pierre THOMAS	Chairman
Diana KISRO-WARNECKE	Member
Christopher ESKDALE	Member

At the date hereof, the composition of the Remuneration and Nomination Committee is as follows:

Jean-Pierre THOMAS	Chairman
Karin LATTWEIN	Member
Christopher ESKDALE	Member

- **Remit and operation**

The Remuneration and Nomination Committee was established in 2003 and, at its meeting on October 22, 2007, the Board drew up terms of reference setting out the Committee's remit and operating procedures.

Its role is to examine the following matters in particular and make recommendations to the Board concerning: (i) the policy for deciding the remuneration of Recylex S.A.'s corporate officers and senior managers, (ii) the introduction of free share or stock option plans, (iii) the procedure for appointing members of the Board, (iv) the Board evaluation procedure, (v) succession planning for Recylex S.A.'s corporate officers and key employees.

- **Work performed in FY 2018**

The Remuneration and Nomination Committee met once in FY 2018, with an attendance rate of 100%. The main matter considered at the meetings was the assessment of the objectives and variable remuneration of the Chairman and CEO.

2.9.3.2. Audit Committee

- **Members at December 31, 2018**

Christopher ESKDALE	Chairman
Diana KISRO-WARNECKE	Member
Jean-Pierre THOMAS	Member (*independent director within the meaning of Article L. 823-19 of the Commercial Code*)

At the date hereof, the composition of the Audit Committee is as follows:

Karin LATTWEIN	Chairwoman (*independent director within the meaning of Article L. 823-19 of the Commercial Code)*
Christopher ESKDALE	Member
Jean-Pierre THOMAS	Member (*independent director within the meaning of Article L. 823-19 of the Commercial Code*)

- **Remit and operation**

The Audit Committee was created in FY 2007. The Committee's operating rules are set out in the "Audit Committee's Terms of Reference" and relate primarily to its remit, its membership, its duties and powers and the organization of its meetings.

According to its Terms of Reference, which were amended at the Board meeting of April 13, 2018, the Audit Committee is responsible for monitoring: (i) the process of preparing and controlling accounting and financial information, (ii) the effectiveness of internal control and risk management systems, (iii) the statutory audit of the annual parent company and consolidated financial statements by the Statutory Auditors, and (iv) the selection of the Statutory Auditors, the non-audit services entrusted to them, and their independence.

- **Work performed in FY 2018**

The Audit Committee met three times in FY 2018 with an attendance rate of 100%.
The main matters considered at the Audit Committee's meetings in 2018 were as follows:

- Review of the financial statements for FY 2017, the interim financial statements for 2018 and Recylex S.A.'s financial reporting as a whole
- The audit reform
- Follow-up on compliance with the applicable anti-corruption and influence peddling regulations
- Report on corporate governance relating to FY 2017

At the meetings to consider the annual and interim accounts, the Statutory Auditors presented their opinion on the financial statements and Recylex S.A.'s accounting policies.

Before each meeting held to review annual or interim financial statements, the Chief Financial Officer prepares a presentation for Committee members of the process of preparing the financial statements, the main balance sheet items, valuation methods and the main financial risks to which the Group is exposed.

Minutes are drawn up summarizing the proceedings of Audit Committee meetings.

2.9.3.3. Assessment of the work of the Board of Directors and of the Board Committees

Every year, the agenda of a Board meeting includes an item relating to an assessment of the composition, organization and operation of the Board of Directors and of the Committees, in accordance with Recommendation no. 11 of the MiddleNext Code.

At its meeting on March 28, 2019, the Board carried out its self-assessment and the evaluation of the work of the Board Committees on the basis of answers to the questionnaire sent to the directors and completed anonymously ahead of the meeting. In particular, this questionnaire covered the membership, organization and operation of the Board and its

Committees, and assessed their capacity to meet shareholders' expectations, primarily in the light of the recommendations and points to be watched contained in the MiddleNext Code and deemed to be relevant in this assessment.

2.9.4. Restrictions placed by the Board of Directors on the powers of Recylex S.A.'s Chairman and Chief Executive Officer

Under Recylex S.A.'s Articles of Association, the Chief Executive Officer has the broadest powers to act in all circumstances on Recylex S.A.'s behalf. He must exercise his powers without exceeding the corporate purpose and without prejudice to those powers expressly vested by law in Shareholder Meetings and the Board of Directors.

At its meeting on November 30, 2017, when it appointed Sebastian RUDOW as Recylex S.A.'s Chairman and Chief Executive Officer, as ratified by the Combined Shareholders' Meeting of June 5, 2018, the Board decided that the Chairman of the Board would also continue to serve as Chief Executive Officer and not to separate these two offices.

Under the Internal Rules and Regulations of the Board of Directors, a prior decision of the Board is required for the following matters, in particular:

- commitments with respect to security, endorsements or guarantees within the limits set by the Board of Directors, and the creation of any sureties
- decisions regarding the Group's strategy and changes to Recylex S.A.'s organizational structures or which have major consequences for one or more of the Group's business segments
- any significant transaction outside the Group's published strategy and which is liable to significantly affect it or materially to change the Group's financial structure or results
- decisions to start up new businesses within the framework of the corporate object, or to abandon existing businesses
- legal proceedings brought by Recylex S.A. that could have a significant impact on the Group's image or results
- publication of materially important information intended for the public.

The components of the Chairman and Chief Executive Officer's remuneration are determined in compliance with the principles set forth in Recommendation no. 13 of the MiddleNext Code, as regards comprehensiveness, balance, benchmarking (limited to companies of similar size but not necessarily part of the same reference market, since no information on almost any of the Recylex S.A.'s competitors is available), clarity of rules, consistency, proportionality and transparency.

2.9.5. Compensation paid during fiscal year 2018 or allocated for the same fiscal year to corporate officers

2.9.5.1. Compensation of the members of the Board of Directors for the 2018 financial year

2.9.5.1.1. Principles of compensation of the members of the Board of Directors

In accordance with current law, the maximum amount of directors' fees to be paid each year to the directors is set by Recylex S.A.'s Shareholder Meeting. The amount is currently set at €150,000 for all members of the Board of Directors.

Since the Shareholders' Meeting of May 12, 2014, the maximum amount of compensation that may be paid to Directors is set at 150,000 euros for all members of the Board of Directors.

The Board of Directors has decided to allocate to its members, in addition to a fixed and equal part of remuneration, an additional part related to their specific duty as Chairmen of the Board or of the Committees, taking into account the additional workload and responsibilities resulting from these specific duties.

The principles and rules for the remuneration of Directors, which were decided by the Board of Directors at its meeting of 28 November 2018, on the recommendation of the Remuneration and Nomination Committee, are as follows:

(i) fixed compensation of twenty thousand euros (€20,000) to each member of the Board;
(ii) additional compensation in the amount of:
    - twenty thousand euros (€20,000) as additional compensation for the Chairman of the Board of Directors and the Chairman of the Audit Committee,
    - ten thousand euros (€10,000) as additional compensation for the Chairman of the Nomination and Remuneration Committee;
(iii) reimbursement by Recylex S.A. of travel and travelling expenses incurred by the directors in the performance of their duties, upon production of supporting documents.

2.9.5.1.2. *Compensation paid during the 2018 financial year or allocated for the same financial year to the members of the Board of Directors*

The total amount of the remuneration paid during the financial year 2018 or allocated for the same financial year to the directors (including the remuneration of Mr. Sebastian RUDOW as director and Chairman of the Board of Directors) therefore amounted to 150,000 euros.

The table below sets out the amounts of compensation paid during/allocated in respect of financial years 2017 and 2018 by Recylex S.A. and Group companies to each of the Directors (other than Mr. Sebastian RUDOW or Mr. Yves ROCHE):

Table of compensation for directorships and other benefits of any kind received by the Directors		
Non-executive directors	Payments in FY 2018	Payments in FY 2017
Christopher ESKDALE *(Director and Chairman of the Audit Committee since May 12, 2014)* Remuneration in respect of the director's mandate	€40,000	€40,000
Mathias PFEIFFER *(Director until July 11, 2017)* Remuneration in respect of the director's mandate	N/A	€10,000
Other[1]	N/A	€240,000[2]
Laetitia SETA *(Director)* Remuneration in respect of the director's mandate	€20,000	€20,000
Jean-Pierre THOMAS *(Director and Chairman of the Remuneration and Nomination Committee since May 12, 2014)* Remuneration in respect of the director's mandate	€30,000	€30,000
Diana KISRO-WARNECKE *(Director since July 11, 2017 replacing Mathias PFEIFFER)* Remuneration in respect of the director's mandate	€20,000	€10,000
TOTAL	**€110,000**	**€350,000**
of which remuneration in respect of the director's mandate	*€110,000*	*€110,000*
of which other remuneration		*€240,000*

[1] *Sums paid by Recylex GmbH under a service provision agreement dated 2007 between Recylex GmbH and Mathias PFEIFFER.*
[2] *Related to services performed in FY 2015, FY 2016 and FY 2017.*

2.9.5.2. *Compensation of the Chairman and Chief Executive Officer for fiscal year 2018*

2.9.5.2.1. *2018 Compensation Policy*

It is reminded that the remuneration policy setting the structure as well as the principles and criteria established to determine the remuneration and benefits of any kind granted to Mr. Sebastian RUDOW for the financial year 2018 was approved by the Combined General Meeting of Shareholders of 5 June 2018 (9th resolution).

As a reminder, at its meeting of November 30, 2017, the Board of Directors noted the termination by Mr. Yves ROCHE of his mandates as Director, Chairman of the Board of Directors and Chief Executive Officer and decided to co-opt Mr. Sebastian RUDOW as Director and to appoint him as Chairman of the Board of Directors and Chief Executive Officer. The General Meeting of 5 June 2018 (6th resolution) ratified this cooptation.

The remuneration policy for the financial year 2018 provided for:

- that Mr. Sebastian RUDOW, in his capacity as Chief Executive Officer of Recylex S.A., would benefit from the health insurance plan applicable to Recylex S.A. employees;
- to set the fixed annual gross portion of Sebastian RUDOW's compensation as Chief Executive Officer of Recylex S.A. at a gross amount of 230,000 euros;
- that the variable portion of Mr. Sebastian RUDOW's compensation as Chief Executive Officer of Recylex S.A. will amount to a maximum of 120% of the fixed portion of his compensation and will be based on the following criteria:
    - Individual non-financial criteria, representing a maximum of 90% of the fixed remuneration, relating to (i) the improvement and development of the Group's organization, including in particular internal procedures and communication, (ii) the development of loss-making business segments with a recovery objective by 2019/2020, (iii) the successful start-up of the new reduction furnace and (iv) the development of the Group's future strategy;

    - Economic criteria based on consolidated EBITDA performance representing a maximum of 30% of the fixed compensation.
- that the payment of this variable compensation will be subject to the approval by the Ordinary Shareholders' Meeting of the elements of compensation of the person concerned under the conditions set forth in article L. 225-100 of the French Commercial Code;
- that Mr. Sebastian RUDOW will receive, in his capacity as Chairman of the Board of Directors and Director, "directors' fees" in accordance with the allocation rules set by the Board of Directors.

2.9.5.2.2. Compensation paid during fiscal year 2018 or granted for the same fiscal year to the Chairman and Chief Executive Officer

Pursuant to Article L. 225-100, III of the French Commercial Code, it is proposed that the Shareholders' Meeting of July 29, 2020 (11th resolution) approve the fixed, variable and exceptional components making up the total compensation and benefits of any kind paid during financial year 2018 or allocated in respect of the same financial year to Mr. Sebastian RUDOW, in his capacity as Chairman and Chief Executive Officer, as presented in this sub-section.

- The gross fixed annual compensation of Mr. Sebastian RUDOW in his capacity as Chief Executive Officer of Recylex S.A. for fiscal year 2018 amounted to a gross amount of 230,000 euros.
- At its meeting of March 28, 2019, the Company's Board of Directors decided, on the recommendation of the Compensation and Nominations Committee, and in accordance with the compensation policy voted by the Ordinary General Meeting of June 5, 2018 (9th resolution), to set the variable compensation of Mr. Sebastian RUDOW in his capacity as Chief Executive Officer of Recylex S.A. for the 2018 financial year at €260,000 (i.e. 113% of the fixed portion of his compensation) on the basis of the following criteria
    - individual non-financial criteria relating to (i) the improvement and development of the Group's organization, including in particular internal procedures and communication, (ii) the development of loss-making business segments with a recovery objective by 2019/2020, (iii) the successful start-up of the new reduction furnace and (iv) the development of the Group's future strategy;
    - economic criteria based on consolidated EBITDA performance.
- Ancillary benefits: Mr. Sebastian RUDOW, in his capacity as Chief Executive Officer of Recylex S.A., benefits from the health insurance plan applicable to Recylex S.A. employees.
- Post-employment benefits:
    - Mr. Sebastian RUDOW, in his capacity as Chief Executive Officer of Recylex S.A., benefits from the mandatory pension plans like all employees and does not participate in Recylex S.A.'s supplementary pension plans, as part of a "PERCO" collective retirement savings plan or a collective and mandatory defined contribution retirement contract benefiting from the scheme provided for in Article 83 of the French General Tax Code ("Article 83").
    - Mr. Sebastian RUDOW, in his capacity as Chief Executive Officer of Recylex S.A., does not benefit from termination and non-competition indemnities.
- Mr. Sebastian RUDOW received during the financial year 2018 an amount of 20,000 euros in respect of his duties as Director and an amount of 20,000 euros in respect of his duties as Chairman of the Board of Directors.

The remuneration paid during the financial year 2018 or allocated for the same financial year to Mr. Sebastian RUDOW was determined in accordance with the remuneration policy for the Chairman and Chief Executive Officer approved by the Combined General Meeting of 5 June 2018 (9th resolution).

It is reminded that in 2019, the Company was unable to hold an Ordinary General Meeting called to approve the 2018 financial statements. Given the exceptional circumstances preventing the holding of a Shareholders' Meeting within a reasonable period of time and given the involvement of the Chairman and Chief Executive Officer throughout the 2018 financial year, the Board of Directors, on the proposal of the Compensation and Nominating Committee, decided, on 18 October 2019, the payment of the variable portion of the Chairman and Chief Executive Officer's compensation for the 2018 financial year, without waiting for the vote of approval by the General Meeting, the person concerned being required to return the portion of his variable compensation for the 2018 financial year that is not approved by the General Meeting of Shareholders, and the Company reserving the right to deduct the amount concerned from any amount that may be due to Mr. Sebastian RUDOW, including the fixed portion of his compensation.

The fixed, variable and exceptional items making up the total compensation and benefits of all kinds paid by Recylex S.A. and the companies (including foreign companies) that it controls during financial year 2018 (and for the record, financial year 2017) or allocated for the same financial years to the Chairman and Chief Executive Officer of Recylex S.A. are set out in the tables below.

Table 1 - Summary of remuneration, stock options and shares allocated to each executive director of Recylex S.A.		
Yves ROCHE	**FY 2018**	**FY 2017**
Remuneration due in respect of FY (details in table 2)	N/A	€440,585.28
Value of options granted during FY (details in table 4)	N/A	N/A
Value of performance shares granted during FY (details in table 6)	N/A	N/A
TOTAL	**N/A**	**€440,585.28**
Sebastian RUDOW	**FY 2018**	**FY 2017**
Remuneration due in respect of FY (details in table 2)	€530,000	€19,166.67*
Value of options granted during FY (details in table 4)	N/A	N/A
Value of performance shares granted during FY (details in table 6)	N/A	N/A
TOTAL	**€530,000**	**€19,166.67***

**paid during FY 2018*

Table 2 - Summary of remuneration paid to each executive director				
Sebastian RUDOW	**FY 2018**		**FY 2017**	
	Amounts due	Amounts paid	Amounts due	Amounts paid
- fixed remuneration (gross)	€230,000	€230,000*	€19,166.67	€19,166.67
- variable remuneration	€260,000	€260,000**	N/A	N/A
- exceptional remuneration	N/A	N/A	N/A	N/A
- remuneration allocated as part of the office of director / Chairman of the Board of directors (gross)	€40,000	€40,000	N/A	N/A
- benefits in kind (company car)	N/A	N/A	N/A	N/A
TOTAL	**€530,000**	**€530,000**	**€19,166.67**	**€19,166.67**
Yves ROCHE	**FY 2018**		**FY 2017**	
	Amounts due	Amounts paid	Amounts due	Amounts paid
- fixed remuneration (gross)	N/A	N/A	€230,000	€230,000
- variable remuneration	N/A	N/A	€150,000***	€125,000****
- exceptional remuneration	N/A	N/A	N/A	N/A
- remuneration allocated as part of the office of director / Chairman of the Board of directors (gross)	N/A	N/A	€40,000	€80,000*****
- benefits in kind (company car)	N/A	N/A	€5,585.28	€5,585.28
TOTAL	**N/A**	**N/A**	**€450,585.28**	**€440,585.28**

** €4,553.40 additionally as social contributions payable in Germany*

*** By decision of the Board of Directors on 18 October 2019, was decided the payment of the variable portion of the Chairman and Chief Executive Officer's compensation for the 2018 financial year, without waiting for the vote of approval by the General Meeting, Mr. Sebastian RUDOW being required to return the portion of his variable compensation for the 2018 financial year that is not approved by the General Meeting of Shareholders, and the Company reserving the right to deduct the amount concerned from any amount that may be due to Mr. Sebastian RUDOW, including the fixed portion of his compensation.*

**** The Board of Directors decided on November 30, 2017 to set the variable portion of Yves ROCHE's annual remuneration in respect of FY 2017 at €150,000, subject to the approval of the Shareholders' Meeting called to approve Recylex S.A.'s financial statements for the year ended in 2017 on the remuneration due to him, as provided for in Article L. 225-100 of the Commercial Code. The Shareholders' Meeting of June 5, 2018 (Seventh Resolution) approved the components of Yves ROCHE's remuneration.*

***** The Board of Directors decided on March 26, 2016 to set the fixed portion of Yves ROCHE's annual remuneration in respect of FY 2015 at €150,000, with €100,000 payable in April 2016, €25,000 in April 2017 and €25,000 payable in April 2018. The Board of Directors decided on May 24, 2017 to set the variable portion of Yves ROCHE's annual remuneration in respect of FY 2016 at €100,000.*

****** €40,000 of which due in respect of FY 2017.*

- **Award of stock options and performance shares (free shares)**

Recylex S.A. did not introduce any plan to award stock options or performance shares in FY 2018.

Table 3 - Options to subscribe for or purchase shares granted during the FY to each executive director by Recylex S.A. and by any other Group company						
Name of executive director	Number and date of plan	Type of option (purchase or subscription)	Value of options under method used for consolidated financial statements	Number of options granted during FY	Exercise price	Exercise period
Sebastian RUDOW	None	None	None	None	None	None

Table 4 - Options to subscribe for or purchase shares exercised during the FY by each executive director			
Name of executive director	Number and date of plan	Number of options exercised during FY	Exercise price
Yves ROCHE*	September 26, 2008	60,000	€5.70
Sebastian RUDOW	None	None	None

** executive director until November 30, 2017*

Table 5 - Performance shares (free shares) granted to each executive director						
Performance-related shares granted, pursuant to a decision by the Shareholders' Meeting, during the financial year to each corporate officer by the issuer or any other Group company (list of names)	Number and date of plan	Number of shares allotted during FY	Value of shares under method used for consolidated financial statements	Vesting date	End of lock-up period	Performance conditions
Sebastian RUDOW	None	None	None	None	None	None

Table 6 - Performance shares (free shares) reaching the end of the lock-up period during the FY for each executive director				
Performance shares reaching the end of the lock-up period for executive directors (list of recipients)	Number and date of plan	Number of shares reaching the end of the lock-up period during FY	Vesting terms	Year of grant
Sebastian RUDOW	None	None	None	None

Table 7 - Past awards of stock options	
	Information about stock options
Date of Shareholders' Meeting	07/28/2006
Date of Board of Directors or Executive Board meeting	09/26/2008
Total number of shares available for subscription, of which the number available to:	
Yves ROCHE	60,000[1]
Date from which options may be exercised	50% 9/26/2012 50% 9/26/2013
Expiration date	09/26/2018
Subscription price	€5.70
Exercise details (where the plan has several tranches)	50% 9/26/2012 50% 9/26/2013
Number of stock options exercised at 12/31/2018	60,000
Cumulative number of stock options canceled or expired	-
Outstanding stock options at year-end	0

[1] The Board of Directors had set at 10% the number of shares arising from each exercise of options that Yves ROCHE would be required to retain as registered shares until the termination of his duties as a corporate officer of Recylex S.A. At its meeting on November 30, 2017, the Board of Directors decided to remove with full and final effect the condition of ongoing presence provided for with regard to Yves ROCHE under Recylex S.A.'s 2008 stock option plan.

Table 8 - Stock options granted to the ten employees other than corporate officers receiving most options, and options exercised by these individuals during the FY	Total number of options granted/number of shares acquired during the year ended	Weighted average price	Plan no.
Options granted during the year, by the issuer and all companies included in the scope of option grants, to the ten employees of the issuer and any company within that scope that were granted the most options (aggregate figure)	None	None	-
Options for shares in the issuer and aforementioned companies exercised during the year by the ten employees that exercised the most options (aggregate figure)	None	None	-

Table 9 - Executive directors	**Employment contract**		**Supplementary pension plan**		**Remuneration or benefits due or potentially due as a result of termination or change in duties**		**Compensation relating to a non-compete clause**	
	Yes	No	Yes	No	Yes	No	Yes	No
Name: Sebastian RUDOW Position: Chairman and Chief Executive Officer Start of term: 11/30/2017		X		X		X		X

It should be noted that, in accordance with Article 4 of Order 2019-1234 of 27 November 2019, the provisions of Article L. 225-37-3, I, 7° and 8°, are applicable as from the shareholders' meetings ruling on the first financial year ending after its publication date (i.e., the financial statements for the financial year 2019). In this respect, the ratios between the level of compensation of the Chairman and Chief Executive Officer and the average compensation on a full-time equivalent basis of the Company's employees other than corporate officers, on the one hand, and the median compensation of employees, on the other hand, have not been presented in this report. Also not shown are the annual changes in compensation, Company performance, average compensation of employees and the aforementioned ratios over the five most recent fiscal years.

2.9.6. Compensation paid during fiscal year 2019 or allocated for the same fiscal year to corporate officers

2.9.6.1. Compensation of the members of the Board of Directors for the 2019 financial year

2.9.6.1.1. Principles of compensation of the members of the Board of Directors

In accordance with the law, the maximum amount of remuneration allocated annually to the Directors is set by the General Meeting of Shareholders of Recylex S.A. Its distribution among the Directors is determined by the Board of Directors, on the recommendation of the Remuneration and Appointments Committee.

Since the Shareholders' Meeting of May 12, 2014, the maximum amount of compensation that may be paid to Directors is set at 150,000 euros for all members of the Board of Directors.

The Board of Directors has decided to allocate to its members, in addition to a fixed and equal part of remuneration, an additional part related to their specific functions as Chairmen of the Board or of the Committees, taking into account the additional workload and responsibilities resulting from these specific functions.

The principles and rules for the remuneration of directors, which were decided by the Board of Directors at its meeting of 18 October 2019, on the recommendation of the Remuneration and Nomination Committee, are as follows :

- fixed compensation of twenty thousand euros (€20,000) to each member of the Board;
- additional compensation in the amount of:
    - twenty thousand euros (€20,000) as additional compensation for the Chairman of the Board of Directors and the Chairman of the Audit Committee,
    - ten thousand euros (€10,000) as additional compensation for the Chairman of the Nomination and Remuneration Committee;
- reimbursement by Recylex S.A. of travel and travelling expenses incurred by the directors in the performance of

their duties, upon production of supporting documents.

2.9.6.1.2. *Remuneration paid during financial year 2019 or allocated for the same financial year to members of the Board of Directors*

The total amount of the remuneration paid during the financial year 2019 or allocated for the same financial year to the directors (including the remuneration of Mr. Sebastian RUDOW as director and Chairman of the Board of Directors) was therefore 150,000 euros.

The table below sets out the amounts of compensation paid during or awarded for financial year 2019 by Recylex S.A. and Group companies to each of the Directors (other than Mr. Sebastian RUDOW):

Non-executive directors	Payments in FY 2019
Christopher ESKDALE *(Director and Chairman of the Audit Committee since May 12, 2014)*	
Directors' fees	€40,000
Laetitia SETA *(Director)*	
Directors' fees	€20,000
Jean-Pierre THOMAS *(Director and Chairman of the Remuneration and Nomination Committee since May 12, 2014)*	
Directors' fees	€30,000
Diana KISRO-WARNECKE *(Director from July 11, 2017 replacing Mathias PFEIFFER and until December 12, 2019 following her resignation)*	
Directors' fees	€20,000
TOTAL	**€110,000**
~~of which directors' fees~~	***~~€110,000~~***

2.9.6.2. *Compensation of the Chairman and Chief Executive Officer for fiscal year 2019*

2.9.6.2.1. *2019 Compensation Policy*

As no general meeting has been held since June 5, 2018, the compensation policy setting the structure as well as the principles and criteria established to determine the compensation and benefits of any kind granted to Mr. Sebastian RUDOW for the financial year 2019 could not be approved by the general meeting of shareholders in 2019.

In this respect, the fixed, variable and exceptional items making up the total compensation and benefits of any kind paid during financial year 2019 or granted for the same financial year to Mr. Sebastian RUDOW, in his capacity as Chairman and Chief Executive Officer, were determined in accordance with the compensation policy for the Chairman and Chief Executive Officer for financial year 2018, approved by the shareholders' general meeting on June 5, 2018 (9th resolution) (see section 2.9.5.2.1. above).

2.9.6.2.2. *2019 Compensation paid during the financial year 2019 or allocated for the same financial year to the Chairman and Chief Executive Officer*

Pursuant to Article L. 225-100, III of the French Commercial Code, it is proposed that the Shareholders' Meeting of July 29, 2020 (12th resolution) approve the fixed, variable and exceptional items making up the total compensation and benefits of any kind paid during the financial year 2019 or allocated in respect of the same financial year to Mr Sebastian RUDOW, in his capacity as Chairman and Chief Executive Officer, as presented in this sub-section.

- The gross fixed annual compensation of Mr. Sebastian RUDOW in his capacity as Chief Executive Officer of Recylex S.A. for fiscal year 2019 amounts to a gross amount of 230,000 euros.
- At its meeting of April 27, 2020, the Company's Board of Directors decided, on the recommendation of the Remuneration and Appointments Committee, and in accordance with the remuneration policy voted by the Ordinary General Meeting of June 5, 2018 (9th resolution), to set the variable remuneration of Mr Sebastian RUDOW in his capacity as Chief Executive Officer of Recylex S.A. for the financial year 2019 at €260,000 (i.e. 113% of the fixed part of his remuneration) on the basis of the following criteria:
  - individual non-financial criteria relating to (i) the improvement and development of the Group's organization, including in particular internal procedures and communication, (ii) the development of

    - loss-making business segments with a recovery objective by 2019/2020, (iii) the successful start-up of the new reduction furnace and (iv) the development of the Group's future strategy;
    - economic criteria based on consolidated EBITDA performance.
- Ancillary benefits: Mr. Sebastian RUDOW, in his capacity as Chief Executive Officer of Recylex S.A., benefits from the health insurance plan applicable to Recylex S.A. employees.
- Post-employment benefits:
    - Mr. Sebastian RUDOW, in his capacity as Chief Executive Officer of Recylex S.A., benefits from the mandatory pension plans like all employees and does not participate in Recylex S.A.'s supplementary pension plans, as part of a "PERCO" collective retirement savings plan or a collective and mandatory defined contribution retirement contract benefiting from the scheme provided for in Article 83 of the French General Tax Code ("Article 83").
    - Mr. Sebastian RUDOW, in his capacity as Chief Executive Officer of Recylex S.A., does not benefit from any termination or non-competition indemnities.
- Mr. Sebastian RUDOW received during the financial year 2019 an amount of 20,000 euros in respect of his duties as Director and an amount of 20,000 euros in respect of his duties as Chairman of the Board of Directors.

As indicated above, the remuneration paid during the financial year 2019 or allocated for the same financial year to Mr Sebastian RUDOW was determined in accordance with the remuneration policy for the Chairman and Chief Executive Officer approved by the Combined General Meeting of 5 June 2018 (9th resolution).

The fixed, variable and exceptional items making up the total compensation and benefits of all kinds paid by Recylex S.A. and the companies (including foreign companies) that it controls during the financial year 2019 or allocated in respect of that financial year to the Chairman and Chief Executive Officer of Recylex S.A. are set out in the tables below.

Table 1 - Summary of remuneration, stock options and shares allocated to the executive director of Recylex S.A.	
Sebastian RUDOW	**FY 2019**
Remuneration due in respect of FY (details in table 2)	530,000 € *
Value of options granted during FY (details in table 4)	N/A
Value of performance shares granted during FY (details in table 6)	N/A
TOTAL	**530,000 €**

** By decision of the Board of Directors on April 27, 2020, the variable portion of Mr. Sebastian RUDOW's annual compensation for FY 2019 was set by the Board of Directors at €260,000, subject in particular to the approval of the Shareholders General Meeting under the conditions set forth in Article L. 225-100 of the French Commercial Code.*

Table 2 - Summary of remuneration paid to the executive director		
	FY 2019	
M. Sebastian RUDOW	Amounts due	Amounts paid
- fixed remuneration (gross)	230,000 €	230,000 €
- variable remuneration	260,000 €	N/A
- exceptional remuneration	N/A	N/A
- remuneration allocated as part of the office of director / Chairman of the Board of directors (gross)	40,000 €	40,000 €
- benefits in kind (company car)	N/A	N/A
TOTAL	**530,000 €**	**270,000 €**

- **Allocation of stock options and performance shares (free shares)**

During FY 2019, no stock option or performance share plans were set up by Recylex S.A. to grant stock options or performance shares.

Table 3 - Options to subscribe for or purchase shares granted during the FY to the executive director by Recylex S.A. and by any other Group company						
Name of executive director	Number and date of plan	Type of option (purchase or subscription)	Value of options under method used for consolidated financial statements	Number of options granted during FY	Exercise price	Exercise period
Sebastian RUDOW	None	None	None	None	None	None

Table 4 - Options to subscribe for or purchase shares exercised during the FY by the executive director			
Name of executive director	Number and date of plan	Number of options exercised during FY	Exercise price
Sebastian RUDOW	None	None	None

Table 5 - Performance shares (free shares) granted to the executive director						
Performance-related shares granted, pursuant to a decision by the Shareholders' Meeting, during the financial year to each corporate officer by the issuer or any other Group company (list of names)	Number and date of plan	Number of shares allotted during FY	Value of shares under method used for consolidated financial statements	Vesting date	End of lock-up period	Performance conditions
Sebastian RUDOW	None	None	None	None	None	None

Table 6 - Performance shares (free shares) reaching the end of the lock-up period during the FY for the executive director				
Performance shares reaching the end of the lock-up period for executive directors (list of recipients)	Number and date of plan	Number of shares reaching the end of the lock-up period during FY	Vesting terms	Year of grant
Sebastian RUDOW	None	None	None	None

Table 7 - Past awards of stock options

In 2019, no more stock options were outstanding

Table 8 - Stock options granted to the ten employees other than corporate officers receiving most options, and options exercised by these individuals during FY 2019

In 2019, no more stock options were outstanding

Table 9 - Executive directors	Employment contract		Supplementary pension plan		Remuneration or benefits due or potentially due as a result of termination or change in duties		Compensation relating to a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Name: Sebastian RUDOW Position: Chairman and Chief Executive Officer Start of term: 11/30/2017		X		X		X		X

It should be noted that, in accordance with Article 4 of Order no. 2019-1234 of 27 November 2019, the provisions of Article L. 225-37-3, I, 7° and 8°, are applicable as from the shareholders' meetings ruling on the first financial year ending after its publication date (i.e., the 2019 financial statements). In this respect, the ratios between the level of compensation of the Chairman and Chief Executive Officer and the average compensation on a full-time equivalent basis of the Company's employees other than corporate officers, on the one hand, and the median compensation of employees, on the other hand, have not been presented in this report. Also not shown are the annual changes in compensation, Company performance, average compensation of employees and the aforementioned ratios over the five most recent fiscal years.

2.9.7. Remuneration Policy for corporate officers for the fiscal year 2020

The remuneration policy for corporate officers is defined by the Board of Directors on the recommendations of the Appointments and Remuneration Committee and is reviewed annually to determine any adjustments to be made. Any other review of the remuneration policy outside this schedule follows the same procedure.

The Recylex Group is currently in a transformation phase that began in 2016 with the project for a new reduction furnace for the German sub-group company Weser-Metall GmbH. Due to the changes brought about by the new reduction furnace, but also in view of the difficult history of the entire Recylex Group, special expertise is required for the management of Recylex S.A. The Company is keen to develop a stable and sustainable base in order to be able to survive and develop in the market. In this context, the main objective is to enable this transformation and not to make quick profits. The compensation policy for corporate officers has therefore been adapted accordingly.
This compensation policy is in line with the Company's corporate interest and is designed to contribute to the Company's business strategy and sustainability. These objectives are reflected in the implementation of compensation principles adapted to the Company's corporate officers as well as to the Company's social and economic situation.

Performance is measured on the basis of the Recylex Group's ability to successfully complete this difficult phase by motivating and ensuring the good performance of employees and ensuring that the necessary know-how is acquired and retained. As far as possible, the Board of Directors seeks to align the structure of the remuneration of corporate officers with that of Group employees. Indeed, although the compensation of the Group's employees has increased over the last 3 years, the fixed portion of the Chairman and Chief Executive Officer's compensation and the ceiling on the variable portion of this compensation have remained unchanged since 2017.

2.9.7.1. Compensation policy for the Chairman and Chief Executive Officer for the financial year 2020

The 13th resolution submitted to the Shareholders' Meeting of July 29, 2020 relates to the approval of the compensation policy for the Chairman and Chief Executive Officer for the financial year 2020.

The Chairman and Chief Executive Officer is appointed for a term that may not exceed his term of office as Director. Mr. Sebastian RUDOW's term of office as Director will expire during the financial year 2020 and should therefore be renewed for a period of 3 years expiring at the end of the Shareholders' Meeting called to approve the financial statements for the financial year ending December 31, 2022.

The compensation of the Chairman and Chief Executive Officer includes a fixed and a variable component.

- **Fixed remuneration:**

The Board of Directors, acting on a proposal by the Remuneration and Nomination Committee, decided to set the fixed portion of gross annual remuneration to be paid to Sebastian RUDOW, in his role as Recylex S.A.'s Chief Executive Officer, at €230,000.

- **Variable remuneration:**

Sebastian RUDOW's variable remuneration as Chief Executive Officer of Recylex S.A. will be capped at a maximum of 120% of his fixed remuneration and will be determined based on the following criteria: (i) managing the effects related to the SARS-CoV-2 pandemic and (ii) the progress made in restoring the stability of the Company and the Group by continuing its restructuring.

These criteria for determining the variable portion of compensation have been adapted in light of the Company's difficult financial situation, reflected by the need to restructure the debt and the Recylex Group and the progress made in restructuring and stabilizing the Company, as well as the current health and economic crisis.

To determine the achievement of the objectives set, the Remuneration and Nomination Committee takes into account (i) the objectives set during the period under review in relation to the objectives actually achieved and (ii) the particular situations due to the context and external influences and the way in which the Company reacts and deals with these particular situations to safeguard its interests. For reasons of confidentiality, the level of achievement required for these criteria, although precisely defined, cannot be made public.

The payment of this variable compensation will be subject to the approval by the Ordinary General Meeting of the elements of compensation of the person concerned under the conditions provided for in Article L. 225-100 of the French Commercial Code.

- **Exceptional remuneration:**

The Board of Directors has adopted the principle that the Chairman and Chief Executive Officer may receive exceptional compensation in certain circumstances, which must be precisely communicated and justified by the Board of Directors. The payment of such compensation will be subject to the approval by the Ordinary Shareholders' Meeting of the elements of compensation of the person concerned under the conditions provided for in Article L. 225-100 of the French Commercial Code.

- **Remuneration in respect of his mandate as director:**

The Chairman and Chief Executive Officer receives compensation in respect of his office as Director and Chairman of the Board of Directors, the amount of which was set by the Board of Directors for the year 2020, in accordance with the allocation rules set by the Board of Directors (see section 2.9.7.2 below).

- **Free shares:**

The Chairman and Chief Executive Officer does not benefit from any free share allotment plan but may benefit from any future free share allotment plans under the conditions to be determined by the Board of Directors, upon recommendation of the Remuneration and Nomination Committee.

- **Stock subscription or purchase options:**

The Chairman and Chief Executive Officer does not benefit from any stock option plans, but may benefit from any future stock option plans under the conditions to be determined by the Board of Directors, on the recommendations of the Remuneration and Nomination Committee.

- **Supplementary pension plan:**

The Chairman and Chief Executive Officer does not participate in Recylex S.A.'s supplementary pension schemes, within the framework of a "PERCO" collective retirement savings plan and a collective and mandatory defined contribution pension contract benefiting from the scheme provided for in Article 83 of the French General Tax Code ("Article 83").

- **Pension plan:**

The Chairman and Chief Executive Officer benefits from the health insurance plan applicable to Recylex S.A. employees.

- **Company car:**

The Chairman and Chief Executive Officer does not have a company car but may be entitled to one if the Board of Directors so decides.

- **Assumption of office:**

There is no provision for an allowance for taking office.

- **Termination of functions and non-competition**

There is no provision for severance and non-competition payments.

The compensation policy for the Chairman and Chief Executive Officer for the financial year 2020 is identical to the last compensation policy approved by the Shareholders' Meeting (i.e., on June 5, 2018), with the exception of the criteria for determining the variable portion of the Chairman and Chief Executive Officer's compensation. These criteria have indeed been adapted in order to comply with the Company's difficult financial situation as well as the effects of the current health and economic crisis.

Due to the general context, and in particular the period of transformation that the Company is going through, no deferral period has been set, nor has the Company been able to request the return of the variable compensation.

2.9.7.2. Compensation policy for members of the Board of Directors for the 2020 financial year

The 14th resolution submitted to the General Meeting of July 29, 2020 relates to the approval of the remuneration policy for members of the Board of Directors for the financial year 2020.

Directors are appointed by the General Meeting of Shareholders for a term of three years or, in the event of cooptation, for the remainder of the predecessor's term of office.

Recylex S.A.'s Annual General Meeting of Shareholders of May 12, 2014 set the total annual remuneration allocated to the members of the Board of Directors for the current and future financial years at 150,000 euros, until further decision of the General Meeting.

The Board of Directors proceeds, on the proposal of the Remuneration Committee and in accordance with the principles below, to allocate the global annual amount of the remuneration set by the General Meeting of Shareholders.

Directors receive a fixed sum as remuneration for their activity, in consideration of their duties as directors and, where applicable, as members or even chairmen of one or more committees, it being specified that this portion is pro-rated for members who have joined or left the Board of Directors during the year.

The Board of Directors, on the recommendation of the Appointments and Remuneration Committee, decided :

(i) to allocate the annual amount of compensation to be allocated to the members of the Board of Directors for the financial year 2020, amounting to 150,000 euros, as follows:
   - 20,000 to each of the members of the Board in respect of their duties as directors;
   - 20,000 euros as additional compensation to the Chairman of the Board of Directors and the Chairman of the Audit Committee;
   - 10,000 euros as additional compensation to the Chairman of the Compensation and Nominations Committee.

(ii) to authorize the reimbursement by the Company of travel and travelling expenses incurred by the Directors in the performance of their duties, upon production of supporting documents.

2.9.8. List of transactions carried out by corporate officers in Recylex shares

During FY 2018, no transaction involving the purchase of Recylex shares by a corporate officer was declared to the Autorité des Marchés Financiers.

2.9.9. Terms and conditions relating to shareholder participation in shareholders' meetings

Shareholders may attend General Meetings in accordance with the conditions provided for by law and by Articles 21 et seq. of Recylex S.A.'s Articles of Association.5

2.9.10. Internal control and risk management procedures6

2.9.10.1. Internal control

2.9.10.1.1. Definition, objectives and scope of internal control

- **Definition and objectives**

The Company's internal control and risk management systems, as presented in paragraph 6.1.2 below, comprise a set of resources, procedures and actions adapted to Recylex S.A.'s characteristics and specific situation, which are intended to:

(i) contribute to the control of its activities, the effectiveness of its operations and the efficient use of its resources

(ii) enable it to take appropriate account of material risks that could prevent it from achieving the objectives Recylex S.A. has set for itself.

More specifically, these procedures are designed to safeguard, both at Recylex S.A. and its subsidiaries:

- compliance with the laws and regulations
- implementation of the guidelines issued by the Company's senior management
- the smooth working of internal processes, in particular those designed to safeguard Recylex S.A.'s assets; the reliability of financial information.

However, the internal control system implemented within the Group cannot provide absolute assurance that Recylex S.A.'s internal control and risk management objectives will be achieved, or that all risks will be controlled. Any internal control system has inherent limitations that may result from many internal and external factors.

- **Scope**

Within the Recylex Group, internal control systems have been established at Recylex S.A. and its various subsidiaries.

2.9.10.1.2. Components of the internal control system

- **Internal control participants**

The Company's senior management is responsible for the whole internal control system, under the oversight of Recylex S.A.'s Audit Committee.

- **Organization of internal control**

The organizational principles of Recylex S.A. and its subsidiaries are based on extensive decentralization of responsibilities both as regards the control over operations, and in particular those involved in the preparation of accounting and financial information, and risk management, which is, however, closely supervised by Recylex S.A.'s senior management. This organization structure enables the various companies within the Group to respond more quickly to the various constraints associated with their businesses.

Control procedures are also implemented through a number of so-called support functions within the Group:

- The Company handles the Group's legal affairs, communication, management control and consolidation of accounting and financial information. All these support services are defined in service agreements negotiated between Group companies
- In Germany, Recylex GmbH provides financial support (local cash pooling, and control of accounting and financial information) for all German subsidiaries, and reports back information to Recylex S.A.'s senior management.

- **Control activities**

The Group's internal control procedures are based on the following principles:

- An organization by business area consistent with development priorities and strategic guidelines. This matrix structure determines the scope, respective powers and delegations of powers of group-wide divisions and divisions specifically responsible for strategic activities.
- A three-stage budget control system:
  1. Preparation of an annual budget updated monthly for each strategic activity, initially decentralized to the Group's plants and subsidiaries and then centralized at Recylex S.A.'s headquarters
  2. Preparation of a 12-month revolving forecast, updated monthly
  3. Performance tracking of the Group's businesses by means of monthly reports sent to the members of Recylex S.A.'s Board of Directors, which allow them to monitor the performance of each of the Group's businesses and to ensure that it is on track to meet the objectives set.
- Monitoring and control over the operations and performance of the Group's operating units, involving the following participants:
  1. Recylex S.A.'s management control unit, which tracks subsidiaries' activities in detail on a monthly basis using the budget, actual figures and regularly updated projections. The monthly reports prepared by each operating unit or subsidiary using dedicated software (Magnitude ERP) are reviewed by Recylex S.A.'s management control unit and inquiries are made of the subsidiary, where appropriate.
  2. The Chairman and Chief Executive Officer, the Group Chief Financial Officer and senior executives of subsidiaries and operating units, who meet monthly to analyze each unit's monthly performance, projections and their regular updates ("Business Review").
- An accounting and financial management system common to the main operating subsidiaries, running SAP ERP software.

2.9.10.2. Procedures for the preparation and processing of accounting and financial information

In this section, "Group" refers to Recylex S.A. and its consolidated subsidiaries as defined in Article L. 233-16 of the Commercial Code.

To ensure that financial information is reliable and accurate, an integrated software application (SAP) is used to manage accounting and financial information for all Group companies with the exception of the Belgian subsidiary FMM. The application is also useful for comparing and assigning costs between subsidiaries. It ensures common accounting formats are used and transactions are accounted for consistently in data flows.

The system also allows movements of goods in all user companies to be managed in real time.

Each Group company performs accounting tasks within this uniform information system. These tasks are handled by its own accounting staff or, in a few cases, by an independent accountant. The 2018 financial statements of individual companies in the Group were prepared by their respective accounting and finance managers under the supervision of the Group's Chief Financial Officer.

Each Group company produces monthly financial and technical reports, which are submitted to Recylex S.A.'s senior management. The managers of each Group company are responsible for the reliability of their accounting and financial data. The data are consolidated by the Group Management Control unit, which ensures their consistency and can request any further information or clarifications it deems necessary from the relevant Group subsidiaries or units. This reporting process thus allows Recylex S.A.'s senior management to track on a monthly basis the Group's business trends and whether the objectives are being achieved.

The process for preparing the consolidated financial statements is identical to that of the monthly reporting process, i.e. it is decentralized under the responsibility of each Group company. Technical consolidation has been outsourced since the beginning of FY 2006. However, subsidiaries' compliance with IFRS, asset impairment tests, the accounting treatment applied to derivative hedges of the metal price fluctuation risk and sector-based analysis continue to be performed in-house at Recylex S.A.'s headquarters.
The Group Finance Department is responsible for overseeing all these steps and the system for preparing financial and accounting information.
Accounting and financial information is also audited by Recylex S.A.'s Auditors as part of their statutory obligations.
Once Recylex S.A.'s financial statements and the Group's consolidated financial statements have been prepared, they are reviewed by the Audit Committee in advance of the Board meeting that approves them.

2.9.10.3. Risk assessment and management

At the meeting of the Board on August 31, 2015, Recylex S.A. decided formally to adopt, and to arrange for the relevant bodies of the Group's subsidiaries to adopt, in accordance with the specific legal requirements of each jurisdiction concerned, the Code of Conduct of the Recylex Group, which contains guidelines on the conduct of its business and professional activities and is intended to apply to all employees of all Group entities.

2.9.11. Current delegations of authority and powers approved by the Shareholders' Meeting to the Board of Directors relating to capital increases

The table below summarizes the delegation of powers during FY 2018, as granted by the Shareholders' Meeting to the Board of Directors, relating to capital increases and the use of these powers made during FY 2018.

Nature of the delegation of authority	Date of Shareholders' Meeting (resolution number)	Period (expiration date)	Maximum authorized amount	Use made in FY 2017
Repurchase/transfer by Recylex S.A. of its own shares	June 5, 2018 (no. 12)	18 months (December 5, 2019)	10% of share capital at June 5, 2018	None
Reduction in share capital by cancellation of shares	June 5, 2018 (no. 13)	24 months (June 5, 2020)	10% of share capital in any 24-month period	None
Awards of free shares	June 5, 2018 (no. 14)	38 months (August 5, 2021)	10% of share capital at June 5, 2018	None
Capital increase reserved for employees belonging to a corporate savings plan	September 15, 2016 (no. 6)	26 months (November 15, 2018)	€100,000	None
Issue without preferential subscription rights of shares or negotiable securities conferring rights to the capital (equity line)	September 15, 2016 (no. 5)	26 months (November 15, 2018)	10% of share capital at September 15, 2016	see below

Pursuant to the Fifth Resolution, shareholders at the Combined Shareholders' Meeting on September 15, 2016 authorized Recylex S.A.'s Board of Directors to issue, with the possibility of delegating this authority, within a period of 26 months from the date of said meeting, without preferential subscription rights, ordinary shares or securities conferring rights to Recylex S.A.'s share capital pursuant to an offer referred to in Article L. 411-2 II of the Monetary and Financial Code accounting for up to 10% of Recylex S.A.'s share capital at the date of the meeting.

On December 29, 2016, Yves ROCHE, Chairman and Chief Executive Officer of Recylex S.A., acting under the authority delegated by the Board of Directors on November 30, 2016, decided pursuant to this delegation of authority, to carry out an issue of warrants giving rights to Recylex S.A.'s shares, in accordance with the terms and conditions laid down in an issuance agreement between Recylex S.A. and Kepler Capital Markets SA ("Kepler Cheuvreux") on December 29, 2016, with the following main characteristics:

- Issue of 2,400,000 Recylex warrants.
- The exchange ratio for the warrants is 1 warrant per 1 Recylex S.A. share.
- The warrants have a life of up to 30 months or when the maximum number of shares to be issued in the event of the exercise of the warrants has been reached.
- The warrants are issued for a fixed sum of €500 (five hundred), and unit issue price per warrant is around €0.00021.
- Kepler Cheuvreux's underwriting commitment: up to 30 months from December 29, 2016.
- Maximum number of shares to be issued as a result of warrants being exercised: 2,400,000 new shares may be issued over the entire period (i.e., at most 9.95% of Recylex S.A.'s share capital at December 29, 2016).
- Maximum number to be issued by quarterly tranche: 600,000 shares.
- Issue price of the underlying shares: the issue price of the shares will be at least equal to the weighted average price for the last three trading days preceding the determination of the subscription price, less a discount of up to but not exceeding 10%.

Following the warrants exercised between January 1, 2018 and December 31, 2018 in connection with the aforementioned equity line, 250,000 new shares were issued, giving rise to a net cash inflow of €2,497,677.

At its meetings of June 5, 2018 and September 28, 2018, Recylex S.A.'s Board of Directors formally recorded the completion of increases in the Company's share capital by an aggregate nominal amount of €142,820, lifting it from €9,435,178.34 to €9,577,998.34 at December 31, 2018 (made up of 25,886,482 fully paid-up shares belonging to the same class each with par value of €0.37) through the issue of 386,000 new ordinary shares between January 1, 2018 and December 31, 2018 given (i) the exercise of 250,000 share subscription warrants in connection with the aforementioned equity line, and (ii) the issue of 136,000 new shares through the stock options exercised.

At December 31, 2018, no exercisable warrants for Recylex shares remained outstanding.

2.9.12. Employee share ownership

For the purposes of this paragraph, "Group" means Recylex S.A. and its subsidiaries within the meaning of Article L. 225-180 of the Commercial Code.

At December 31, 2018, Group employees did not own any Recylex S.A. shares under employee share ownership plans or other similar plans as stipulated in Article L. 225-102 of the Commercial Code.

2.9.13. Treasury stock movements and holdings

At December 31, 2018, Recylex S.A. held 23,939 treasury shares, representing 0.09% of the share capital.

These 23,939 shares held by Recylex S.A. and not yet allocated are earmarked for distribution to Group employees, and particularly under a stock option plan for employees and corporate officers.

2.9.14. Factors liable to have an impact on the outcome of a public tender offer

1. Information regarding the structure and ownership of share capital and voting rights is disclosed in section 2.8 "Information regarding Recylex S.A.'s share capital".

2. There are no restrictions in Recylex S.A.'s Articles of Association on the exercise of voting rights or transfer of shares nor any agreements of which it has been made aware pursuant to Article L. 233-11 of the Commercial Code that would be liable to have an impact on the outcome of a public tender offer.

3. The main identified shareholders of Recylex S.A. are listed in section 2.8.1.2 of this Report.

4. Under Recylex S.A.'s Articles of Association, double voting rights are assigned to all fully paid up registered shares that have been owned by the same shareholder for at least two years from the end of the calendar year prior to the date of the Shareholders' meeting. Double voting rights cease automatically for any shares held in a securities account in bearer form or transferred, and shall only be recovered by the new owner, subject to registering the share on their behalf in a registered securities account for a period of at least two years from the end of the calendar year prior to the date of the shareholders' meeting considered. Nonetheless, the required timeframe shall not be interrupted and the vested rights shall be retained where a transfer is made from one registered account to another:
   - as a result of a succession to an intestate estate or a testamentary succession, a division of joint property between spouses, a donation inter vivos to a spouse or a person with a degree of relationship that entitles them to inherit
   - or arising from a stock split or stock consolidation transaction.

5. The Company did not have any employee share ownership plans in place at December 31, 2018.

6. The Company is not aware of any agreements between shareholders that could result in a restriction on the transfer of shares or the exercise of voting rights.

7. The rules applicable to the appointment and replacement of Directors and the amendment of the Articles of Association are not liable to have an impact in the event of a public tender offer.

8. Under the Board of Directors' Internal Rules and Regulations, prior discussion by the Board of Directors is required in the event of total or partial disposal of equity investments held by Recylex S.A., or of acquisitions or disposals of assets with a value of more than €1,000,000 per transaction.

9. In FY 2014, Recylex S.A. entered into a loan agreement with Glencore International AG (see Note 32 to the consolidated financial statements for the year ended December 31, 2018), which may come to an end (i) in the event of a change in control of Recylex S.A., which is defined as being a situation in which one or more persons acting in concert (within the meaning of Article L. 233-10 of the Commercial Code), come(s) to hold directly or indirectly more than 50% of Recylex S.A.'s share capital or voting rights, or (ii) in the event of a change in Recylex S.A.'s voting rights, which is defined as being a situation in which one or more persons acting in concert (within the meaning of Article L. 233-10 of the Commercial Code), come(s) to hold directly or indirectly more than 30% of Recylex S.A.'s share capital or voting rights.

10. The Company has not entered into any agreement providing for indemnities for members of the Board of Directors or employees, if they resign or are dismissed without real and serious cause or if their employment is terminated because of a takeover bid or exchange offer, being likely to have an impact in the event of a takeover bid or exchange offer.

2.9.15. Agreements entered into, either directly or through a third party, between a shareholder holding over 10% of Recylex S.A.'s shares and subsidiaries in which Recylex S.A. owns over 50% of the share capital

The agreements entered into, either directly or through a third party, between a shareholder holding more than 10% of Recylex S.A.'s shares and subsidiaries in which Recylex S.A. owns over 50% of the share capital are as follows:

- Since July 18, 2014, its Weser-Metall GmbH subsidiary has entered into several tolling agreements for lead concentrates with Glencore International AG, pursuant to which the latter provides lead concentrates to Weser-Metall GmbH for processing in return for a fee into finished goods that are then returned to Glencore International AG.
- To guarantee due completion of the obligations provided for by the €67 million loan to the German subsidiaries agreed on December 29, 2016 (hereinafter the "Loan"), the securities in Recylex GmbH, Harz-Metall GmbH and Weser-Metall GmbH were transferred to two trustee structures as part of a German-law trusteeship arrangement agreed on December 19, 2016 between Recylex Beteiligungsgesellschaft Eins, a wholly-owned subsidiary of Recylex S.A., Recylex Beteiligungsgesellschaft Zwei, a wholly-owned subsidiary of Recylex S.A., Recylex GmbH, Weser-Metall GmbH, Harz-Metall GmbH, the two trustees and Glencore International AG, it being specified that beneficial ownership of the shares in these entities remains with the Recylex Group entities, which continue to exercise and enjoy their rights as shareholders provided that the borrowers do not default on their obligations. From an accounting perspective, the arrangement does not cause the subsidiaries to be deconsolidated since, given the rights retained by the owners of the shares, they retain control over the transferred assets within the meaning of accounting regulations as long as the borrowers do not breach their obligations under the Loan

agreement

- In accordance with the conditions for the award of the Loan, Glencore International AG gave commitments in December 2016 to the German subsidiaries Recylex GmbH, Harz-Metall GmbH, Weser-Metall GmbH, Norzinco GmbH, C2P-Germany GmbH, PPM Pure Metals GmbH and Recylex Grundstücksverwaltungs GmbH, including to cover any overrun in the budget for Weser-Metall GmbH’s new reduction furnace (of up to €10 million) and any specific cash requirements of these German subsidiaries (up to €25 million).
- In connection with the €16 million loan agreement arranged on October 1, 2014 between Recylex S.A. and Glencore International AG, Recylex S.A. and Weser-Metall GmbH entered into a technical cooperation agreement with Glencore International AG. This agreement, including its amendments, underwent the procedure applicable to regulated agreements as defined in Article L. 225-38 of the Commercial Code.

In accordance with the provisions of the second paragraph of Article L. 225-39 of the French Commercial Code, the Company's legal department, assisted by the financial department, is responsible for identifying and evaluating agreements relating to current operations and concluded under normal conditions. However, the Board of Directors has not approved any formal procedure as of the date hereof.

2.10. Share capital, other equity instruments, results and other information for the past five financial years

Amounts in euros	2014	2015	2016	2017	2018
I. SHARE CAPITAL AND OTHER EQUITY INSTRUMENTS AT THE YEAR-END					
Share capital	48,221,964	31,826,496	31,826,496	9,435,178	9,577,998
Number of ordinary shares in issue	24,110,982	24,110,982	24,110,982	25,500,482	25,886,482
Number of preferred shares in issue					
Maximum number of shares that may be issued in the future					
. Through the conversion of bonds					
. Through the exercise of stock options	500,000	490,000	445,000	265,500	0
II. OPERATIONS AND RESULTS FOR THE FY					
Revenues excluding VAT	75,490,843	63,603,664	59,079,300	91,088,992	75,517,940
Income before tax, employee profit sharing,					
depreciation, amortization and charges to/(reversals from) provisions	(3,423,692)	2,382,066	1,637,140	(27,981,969)	4,772,110
Income tax	(146,536)	(71,059)	(312,959)	(148,210)	0
Employee profit-sharing in respect of the FY					
Income after tax, employee profit sharing,					
depreciation, amortization and charges to/(reversals from) provisions	(4,314,913)	(9,465,861)	(14,910,435)	6,493,991	(65,051,756)
Income paid out					
III. EARNINGS PER SHARE					
Income after tax, employee profit sharing,					
but before depreciation, amortization and charges to/(reversals from) provisions	(0.14)	0.10	0.08	(1.09)	0.18
Income after tax, employee profit sharing,					
depreciation, amortization and charges to/(reversals from) provisions	(0.18)	(0.39)	(0.62)	0.25	(2.51)
Net dividend per share					
IV. EMPLOYEES					
Average number of employees					
during FY	40	38	37	38	40
Total payroll for the FY	2,363,997	2,379,206	2,293,806	3,535,352	3,882,299
Amount paid with respect to					
benefits for the year (social security,					
social welfare, etc.)	1,221,108	1,179,969	1,139,367	1,152,762	1,504,802

This is a free English translation of the Statutory Auditor's report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED HUMAN RESOURCES, ENVIRONMENTAL AND SOCIAL INFORMATION INCLUDED IN THE MANAGEMENT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2018

To the Annual General Meeting,

In our capacity as Statutory Auditor of your company (hereinafter the "entity") appointed as independent third party, and accredited by the French Accreditation Committee (*Comité Français d'Accréditation* or COFRAC) under number 3-1049*, we hereby report to you on the consolidated non-financial statement for the year ended December 31st, 2018 (hereinafter the "Statement"), included in the Group Management Report pursuant to the requirements of articles L.225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

Responsibility of the entity

The Board of Directors' is responsible for preparing the Statement, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), the main elements of which are presented in the Statement and available upon request at the entity's head office.

Independence and quality control

Our independence is defined by the requirements of article L.822-11-3 of the French Commercial Code and the French Code of Ethics (*Code de déontologie*) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with applicable legal and regulatory requirements, the ethical requirements and French professional guidance.

Responsibility of the Statutory Auditor appointed as independent third party

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance of the Statement with the requirements of article R. 225-105 of the French Commercial Code;
- the fairness of the information provided in accordance with article R.225-105 I, 3° and II of the French Commercial Code, i.e., the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the "Information").

However, it is not our responsibility to comment on the entity's compliance with other applicable legal and regulatory requirements, in particular the anti-corruption and tax avoidance legislation nor on the compliance of products and services with the applicable regulations.

Nature and scope of our work

The work described below was performed in accordance with the provisions of Article A.225-1 *et seq.* of the French Commercial Code, as well as with the professional guidance of the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes* or CNCC) applicable to such engagements and with ISAE 3000†:

- We obtained an understanding of all the consolidated entities' activities, and the description of the principal risks associated;
- We assessed the suitability of the criteria of the Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability, with due consideration of industry best practices, where appropriate;
- We verified that the Statement includes each category of social and environmental information set out in article L.225-102-1 III as well as information regarding compliance with human rights and anti-corruption and tax avoidance legislation;
- We verified that the Statement provides the information required under article R. 225-105 II of the French Commercial Code, where relevant with respect to the principal risks, and includes, where applicable, an explanation for the absence of the information required under article L.225-102-1 III, paragraph 2 of the French Commercial Code;
- We verified that the Statement presents the business model and a description of principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships, their products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators associated to the principal risks;
- We referred to documentary sources and conducted interviews to:
    - assess the process used to identify and confirm the principal risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the principal risks and the policies presented;

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* *Accreditation scope available at www.cofrac.fr*

† *ISAE 3000: international standard on assurance engagements other than audits or reviews of historical financial information*

- corroborate the qualitative information (measures and outcomes) that we considered to be the most important presented in Appendix. Concerning certain risks (Risk related to the respect for human rights, fundamental conventions of the International Labour Organisation and the fight against discrimination, Risk related to the relations with related parties and consumers), our work was carried out on the consolidating entity, for the other risks, our work was carried out on the consolidating entity and on a selection of entities[*].

- We verified that the Statement covers the scope of consolidation, i.e. all the consolidated entities in accordance with article L. 233-16 of the French Commercial Code within the limitations set out in the Statement;
- We obtained an understanding of internal control and risk management procedures the entity has put in place and assessed the data collection process to ensure the completeness and fairness of the Information;
- For the key performance indicators and other quantitative outcomes that we considered to be the most important presented in Appendix, we implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data;
  - tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities[3] and covers between 28% and 93% of the consolidated data selected for these tests;
- We assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

We believe that the work carried out, based on our professional judgment, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Means and resources

Our work was carried out by a team of five people between November 2018 and June 2020 and took a total of approximately 3 weeks.

We were assisted in our work by our specialists in sustainable development and corporate social responsibility. We conducted a dozens of interviews with the people responsible for preparing the Statement.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the non-financial statement is not presented in accordance with the applicable regulatory requirements and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines, in all material respects.

Paris-La Défense, on 15 June 2020

KPMG S.A.

Fanny Houlliot	Alexandra Saastamoinen
Partner	*Partner*
Sustainability Services	

[*] *Harz-Metall GmbH (Germany); Pure Metals GmbH (Germany); Weser-Metall GmbH (Germany)*

Appendix

Qualitative information (actions and results) considered most important
The importance of out-sourcing
Summary of collective agreements signed and their impacts on the economic performance of the company and on the working conditions of the employees
The financial results of the Group
The European regulations
The group's sustainable performance charter
The measures undertaken for the restoration of the industrial sites without activity
The provisions relative to the environment
The operations of the industrial tool
The measure undertaken to reduce the greenhouse gas emissions
The environmental certifications
The use of raw materials and products manufactured
The environmental investments
Anti-corruption and trading in influence arrangements
The policy of openness and dialogue

Key performance indicators and other quantitative results considered most important
Workforce as at 31.12, distribution by gender, age, type of contract and employment
Number of recruitments
Departure rate
Number of dismissals
Total gross remuneration
Absentee rate
Frequency rate of occupational injuries with stoppage
Severity rate of occupational injuries with stoppage
Number of training hours
Average lead in blood
Consumption of non-renewable materials
Consumption of secondary raw materials
Direct and indirect energy consumption
Total water consumption
Direct and indirect greenhouse gas emissions
Atmospheric emissions of metals
Total effluents discharged by quality and destination
Hazardous and non-hazardous waste produced

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2018

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CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2018

STATEMENT OF FINANCIAL POSITION

Financial year ended December 31, 2018

In thousands of euros	**Notes**	*12/31/2018*	*12/31/2017*
Assets			
Non-current assets			
Property, plant and equipment	**3 and 5**	50,388	76,926
Intangible assets	**4 and 5**	236	66
Financial assets	**6**	52	58
Derivatives	**36**	-	-
Other non-current assets	**7**	2,821	2,726
Investments in associates	**7**	13,398	14,286
Deferred tax assets	**28**		11,673
Sub-total		**66,895**	**105,735**
Current assets			
Inventories	**8**	42,256	47,437
Trade receivables	**9**	21,107	31,165
Current income tax assets		91	4
Other current assets	**10**	10,214	10,100
Derivatives	**36**	-	-
Cash and cash equivalents	**11**	6,352	5,546
Sub-total		**80,020**	**94,252**
Non-current assets held for sale		-	-
Sub-total		**80,020**	**94,252**
TOTAL ASSETS		**146,915**	**199,987**
Equity and liabilities			
Equity			
Share capital	**12**	9,578	9,435
Share premiums	**12**	10,233	7,103
Retained earnings attributable to equity holders of the parent		(22,198)	(40,125)
Net income for the year – Group share		(78,713)	17,989
Translation adjustments		1,427	1,427
Share capital and retained earnings attributable to equity holders of the parent		**(79,673)**	**(4,171)**
Non-controlling interests		-	-
Total equity		**(79,673)**	**(4,171)**
Non-current liabilities			
Interest-bearing borrowings	**13**	16,000	42,214
Provisions	**14**	20,826	18,796
Employee benefit obligations	**15**	31,671	32,750
Other non-current liabilities	**18**	32,999	33,646
Deferred tax liabilities	**28**	-	-
Sub-total		**101,496**	**127,406**
Current liabilities			
Interest-bearing borrowings	**13**	73,545	22,325
Provisions	**14**	5,411	10,310
Employee benefit obligations	**15**	2,040	2,139
Trade payables	**16**	33,080	31,926
Current tax liabilities		78	569
Derivatives	**36**	801	55
Other current liabilities	**17**	10,137	9,428
Sub-total		**125,092**	**76,752**
Liabilities associated with non-current assets held for sale		-	-
Total liabilities		**226,588**	**76,752**
TOTAL EQUITY AND LIABILITIES		**146,915**	**199,987**

CONSOLIDATED INCOME STATEMENT

Financial year ended December 31, 2018

In thousands of euros	*Notes*	*12/31/2018*	*12/31/2017*
Sales of goods and services		364,575	450,295
Revenue from ordinary activities	**19**	**364,575**	**450,295**
Purchases used		(276,012)	(348,965)
Staff costs	**21**	(52,654)	(44,893)
External costs	**20**	(44,251)	(43,321)
Taxes other than on income		(1,244)	(1,274)
Depreciation, amortization, charges to/(reversals from) provisions and impairment losses	**23**	(8,456)	(8,383)
Goodwill impairment losses		-	-
Changes in work-in-progress and finished goods		(4,297)	9,399
Other operating income and expense	**24**	1,822	1,709
Current operating results		**(20,516)**	**14,567**
Other operating income and expenses	**25**	(44,654)	1,582
Share in income of associates		9,510	10,558
Operating income		**(55,660)**	**26,652**
Interest income from cash and cash equivalents		49	37
Gross interest expense		(9,998)	(6,197)
Net interest expense	**26**	**(9,949)**	**(6,160)**
Other financial income and expense	**27**	**(1,442)**	**(3,806)**
Income taxes	**28**	(11,662)	1,248
Consolidated net income		**(78,713)**	**17,989**
Non-controlling interests		**-**	**-**
Net income attributable to equity holders of the parent		(78,713)	17,989
Earnings per share (in euros):			
- basic	**29**	(3.03)	0.72
- diluted	**29**	(3.03)	0.71

STATEMENT OF COMPREHENSIVE INCOME

Financial year ended December 31, 2018

In thousands of euros	***12/31/2018***	***12/31/2017***
Net income	**(78,713)**	**17,989**
Translation adjustment on associates	(2)	16
Cash flow hedges	-	-
Deferred tax on cash flow hedges	-	-
Income and expenses recognized directly in equity	-	-
Total other comprehensive income to be reclassified subsequently in net income	**(2)**	**16**
Actuarial gains and losses relating to pension liabilities	(72)	1,553
Deferred taxes on actuarial gains and losses relating to pension liabilities	12	(505)
Share of associates in items not to be reclassified in net income, net of tax		
Total other comprehensive income not to be reclassified in net income	**(60)**	**1,048**
Comprehensive income	**(78,775)**	**19,053**
Of which:		
Attributable to equity holders of the parent	(78,775)	19,053
Non-controlling interests	-	-

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AT DECEMBER 31, 2018

In thousands of euros, except per share data	***Number of shares***	***Share capital***	**Share premiums**	**Non-recyclable reserves**	**Consolidated retained earnings**	**Total equity attributable to equity holders of parent**	**Total equity**
Equity at January 1, 2017	**24,110,982**	**31,827**	**869**	**(12,066)**	**(51,625)**	**(30,996)**	**(30,996)**
Net income for the year	-	-	-	-	17,989	17,989	17,989
Other comprehensive income							
Change in hedging reserves net of tax	-	-	-	-	-	-	-
Change in translation adjustments	-	-	-	-	16	16	16
Actuarial gains and losses on pension liabilities net of tax	-	-	-	1,048	-	1,048	1,048
Total other comprehensive income	-	-	-	1,048	16	1,064	1,064
Comprehensive income for the period	**-**	**-**	**-**	**1,048**	**18,005**	**19,053**	**19,053**
Share-based payment	-	-	-	-	-	-	-
Increase/(reduction) in share capital	1,389,500	(22,392)	6,234	-	23,929	7,772	7,772
Equity at December 31, 2017	**25,500,482**	**9,435**	**7,103**	**(11,018)**	**(9,691)**	**(4,171)**	**(4,171)**
Net income for the year	-	-	-	-	(78,713)	(78,713)	(78,713)
Other comprehensive income							
Change in hedging reserves net of tax	-	-	-	-	-	-	-
Change in translation adjustments	-	-	-	-	(2)	(2)	(2)
Actuarial gains and losses on pension liabilities net of tax	-	-	-	(60)	-	(60)	(60)
Total other comprehensive income	-	-	-	(60)	(2)	(62)	(62)
Comprehensive income for the period	**-**	**-**	**-**	**(60)**	**(78,715)**	**(78,775)**	**(78,775)**
Share-based payment	-	-	-	-	-	-	-
Increase/(reduction) in share capital	386,000	143	3,130	-	-	3,273	3,273
Equity at December 31, 2018	**25,886,482**	**9,578**	**10,233**	**(11,078)**	**(88,406)**	**(79,673)**	**(79,673)**

CONSOLIDATED CASH FLOW STATEMENT

Financial year ended December 31, 2018

In thousands of euros	***12/31/2018***	***12/31/2017***
Operating income/(loss) before non-recurring items	**(20,516)**	**14,567**
Depreciation, amortization, charges to/(reversals from) provisions and impairment losses	8,456	8,383
EBITDA (1)	**(12,061)**	**22,950**
Change in current working capital requirement	15,140	(23,021)
- Inventories	*4,727*	*(11,019)*
- Trade receivables	*10,043*	*(6,099)*
- Trade payables	*1,152*	*(5,536)*
- Other current assets and liabilities	*1,431*	*1,477*
- Employee benefit obligations	*(2,213)*	*(1,844)*
Non-cash recurring operating income and expenses	1,184	1,020
- Gains or losses on disposals of non-current assets	*221*	*-*
- Employee benefits	*963*	*1,020*
Cash flow from current operating activities before tax	**4,264**	**949**
Income tax paid	(555)	28
Cash flow from current operating activities after tax	**3,710**	**977**
Other non-recurring operating income/(expense)	(617)	(9,081)
Other income and expense relating to remediation of sites	(4,566)	(1,647)
Change in non-recurring working capital requirement	(653)	131
Total other financial income and expense	(1,193)	(2,055)
Currency gains and losses	*285*	*(635)*
Factoring costs	*(1,240)*	*(1,327)*
Other financial income and expense	*(238)*	*(93)*
Dividends received	10,400	6,000
Cash flow from operating activities	**7,081**	**(5,675)**
Change in perimeter		
Purchases of property, plant and equipment and of intangible assets	(24,177)	(37,172)
Change in financial assets	(1,086)	(630)
Disposals of property, plant and equipment and of intangible assets	132	1,250
Cash flow from investing activities	**(25,131)**	**(36,552)**
New borrowings (2)	15,421	39,692
Repayment of borrowings (2)	(5,215)	(1,550)
Other items relating to financing activities (2)	16,000	-
Interest paid	(9,423)	(6,109)
Other movements in the share capital	3,273	7,772
Cash flow from financing activities	**20,056**	**39,805**
Impact of changes in accounting methods	-	-
Change in cash and cash equivalents	**2,006**	**(2,422)**
Cash and cash equivalents at beginning of the financial year	(9,454)	(7,032)
Cash and cash equivalents at end of the financial year (3)	(7,448)	(9,454)
Change in cash and cash equivalents	**2,006**	**(2,422)**

(1) See Note 19
(2) See Note 13c
(3) See Note 11

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Preamble:

The continuation until May 2020 of discussions with financial partners with a view to restructuring the debt of the German sub-group, discussions which led to the postponement of the closing and publication of the 2018 consolidated financial statements, as well as the opening of insolvency proceedings at the level of the entities of the German sub-group on May 15, 2020, entails a certain number of subsequent events which should be taken into consideration in view of the unusually long period between the closing date and the date of approval of the financial statements, the importance of these events and their impacts on the become of the Group.

The Group has taken into account these post-balance sheet events and has, where appropriate, either adjusted its financial statements or provided information in the notes to the financial statements in respect of these events, insofar as they are material, in accordance with the principles described in Note 2.
Note 39 to the financial statements summarizes all subsequent events that have occurred since the end of the 2018 financial year.

In this particular context, the Group draws attention to Note 39 "Subsequent events".

NOTE 1 - PRESENTATION OF THE BUSINESS AND SIGNIFICANT EVENTS

Details of the Company

On June 12, 2020, the Board of Directors approved and authorized publication of Recylex SA's consolidated financial statements for the year ended in December 31, 2018. These consolidated financial statements are subject to the approval of shareholders at the July 29, 2020 Shareholders' General Meeting.

Recylex SA is a "Société Anonyme" (joint-stock corporation) registered in France and listed on Euronext Paris (RX - ISIN: FR0000120388).

Business description

With operations in France and Germany, the Recylex group is a European group specialized in recycling lead, zinc, and polypropylene, and in the production of very high-purity special metals. Recylex, a key player in the circular economy thanks to its longstanding expertise, employed more than 660 staff in 2018 (excluding Recytech SA, which is 50%-owned) across ten production facilities.

Accounting for events subsequent to the balance sheet date

The Group has taken into account events subsequent to the balance sheet date and has, where appropriate, either adjusted its financial statements or provided information in respect of such events if they were material. Note 2 to the consolidated financial statements sets out the principles for taking into account post-balance sheet items that have had an adjusting effect on the financial statements or that have generated additional information in the notes to the financial statements. Note 39 to the consolidated financial statements lists post-balance sheet events.

Significant events in the 2018 financial year

- ***Metal prices in euros and €/$ exchange rates***

(€ per ton)	2018 average	2017 average	Change (%)
Lead price	**1,895**	2,052	*-8%*
Zinc price	**2,468**	2,561	*-4%*

Source: London Metal Exchange 2019.

In 2018, the average lead price in euros fell by 8% relative to 2017, to reach €1,895. This decline was concentrated mainly in the second half of FY 2018, with the lead price dropping from an average of €2,029 in the first half of 2018 to an average of €1,765 in the second half. The average lead price stated in US dollars fell 3% in FY 2018 relative to FY 2017.

The average FY 2018 zinc price stated in euros was 4% lower than in FY 2017. This decline was concentrated mainly in the second half of FY 2018, with the zinc price dropping from an average of €2,699 in the first half of 2018 to an average of €2,244 in the second half. The average zinc price stated in US dollars rose 1% between FY 2017 and FY 2018.

The overall depreciation in the US dollar during 2018 accentuated the extent of the fall in lead and zinc prices stated in euros. The average euro/US dollar exchange rate rose by 4.6% from an average of $1.1295 in FY 2017 to an average of $1.1810 in FY 2018.

- ***Consolidated key figures***

In millions of euros	FY 2018	FY 2017	*Change*
Sales	**364.6**	450.3	*(85.7)*
Operating income/(loss) before non-recurring items	**(20.5)**	14.6	*(35.1)*
Net income	**(78.7)**	18.0	*(96.7)*

- ***Lead segment***

In millions of euros	FY 2018	FY 2017	Change
Consolidated sales	**236.2**	324.1	*(87.9)*
Operating income/(loss) before non-recurring items	**(24.3)**	7.3	*(31.6)*

The Lead segment's sales accounted for 65% of the Group's consolidated total in 2018. Consolidated sales totaled €236.2 million in FY 2018, down 27% compared to FY 2017.

FY 2018 lead production came to 104,600 tonnes compared to 122,600 tonnes in FY 2017. That represented a fall of 14.7% compared to FY 2017 against the backdrop of a reduction in battery purchases throughout 2018. The Group recycled 112,900 tonnes of scrap lead batteries in FY 2018, down close to 17,6% compared to the 137,000 tonnes it recycled in FY 2017.

From the beginning of 2018, the segment's performance was chiefly affected by:

- a lengthy scheduled shutdown at the Nordenham smelter in the first quarter of 2018 (for maintenance and to prepare for the connection of the existing (BSF) furnace to the new reduction furnace)
- the strong slowdown in production in the second quarter of 2018 as a result of the technical difficulties of the main BSF furnace due to its change of its operation mode following its connection with the new reduction furnace (commissioning began on June 28, 2018), which significantly lowered the main furnace's utilization rate
- the continued slowdown in the third and fourth quarters of FY 2018, despite some initial signs of improvement On December 29, 2018, the main (BSF) furnace was halted after advanced wear and tear was seen in the refractory bricks owing to its change in operation following on from the connection of the new reduction furnace and the associated technical difficulties. A decision was made to bring forward partially to January 2019 the major scheduled maintenance shutdown initially planned for the end of the second quarter of 2019. Lead production at the Weser-Metall GmbH smelter's two combined furnaces resumed on January 22, 2019
- to a lesser extent, the fall in lead prices (down 8%) in FY 2018 compared to FY 2017 also had an impact on the segment's performance

For all these reasons, the Lead segment recorded an operating loss before non-recurring items of €24.3 million in FY 2018 compared to an operating income of €7.3 million in FY 2017. The steep deterioration in profitability was chiefly attributable to:

- the impact on profitability of the slowdown in production and contraction in the segment's sales. The technical difficulties arising from the adjustments needed to connect the main (BSF) furnace to the new reduction furnace caused a substantial reduction in the main furnace's utilization rate. As a result, in addition to the sales shortfall caused by lower lead production, the smelter's performance was held back by a steep fall in the volume of materials smelted in the furnace and thus a reduction in income related to these materials ("treatment charges received"), and also by smaller premiums on the lead sales by the Weser-Metall GmbH smelter. The total impact of this slowdown came to €10 million in FY 2018
- this negative volume effect has been offset up to €5.0 million by the reduction of slag materials sold making lower treatment charges paid compared to 2017;
- a negative €12.2 million price effect arising on the smelter's purchases used compared to sales and the treatment charges received and paid
- costs arising from the scheduled shutdown at the Nordenham smelter (around €5 million) in the first quarter of 2018 for maintenance and to prepare for the connection of the existing (BSF) furnace to the new reduction furnace
- an increase of €3.8 million compared to FY 2017 in staff costs at Weser-Metall GmbH's smelter as a result of the smelter's new production configuration, with the commissioning of the new reduction furnace

- a €4.6 million reduction in result of the scrap battery processing activity due to the strong decrease in volumes of processed scrap lead batteries in FY 2018 compared to FY 2017.

Given the technical difficulties encountered in 2018, the smelter's current performance and thus the less favorable outlook than initially anticipated in this segment, the Group recognized an additional asset impairment loss of €42.3 million.
The technical changes scheduled to be made during the 2019 maintenance shutdown are intended to increase the smelter's utilization rate during the second half of 2019.

- ***Zinc segment***

In millions of euros	FY 2018	FY 2017	Change
Consolidated sales	**96.3**	**98.4**	*(2.1)*
Operating income/(loss) before non-recurring items	**11.7**	**16.4**	*(4.7)*

Zinc sales accounted for 26% of the Group's consolidated total in FY 2018. Consolidated sales totaled €96.3 million in FY 2018, down 2% compared to FY 2017.

With 180,500 tonnes of electric arc furnace dust processed (vs. 178,200 tonnes in FY 2017), Waelz oxide production at the Group's two plants (Harz-Metall GmbH in Germany and 50%-owned Recytech SA in France), totaled 74,270 tonnes, up from 73,270 tonnes in FY 2017. That represented a 1% increase largely owing to a favorable base of comparison, which offset the impact of the fall in zinc prices in FY 2018 compared to FY 2017. The Harz-Metall GmbH plant did not carry out any scheduled maintenance shutdowns in FY 2018 (one shutdown in the first half of FY 2017).
In addition, with 23,000 tonnes of waste recycled (compared to 22,700 tonnes in FY 2017), zinc oxide production at the Norzinco GmbH subsidiary in Germany totaled 24,500 tonnes, up 3% compared to FY 2017.

Its operating income before non-recurring items stood at €11.7 million, a substantial decrease on the €16.4 million recorded in FY 2017.
Amid the decline in zinc prices during FY 2018 (down 4% compared to 2017), the Zinc segment's business performance deteriorated compared to FY 2017 owing to the high sensitivity of its performance to zinc prices, particularly that of the dust recycling business, and higher scrap zinc prices, which cut into Norzinco GmbH's margins.

- ***Special Metals segment***

In millions of euros	FY 2018	FY 2017	Change
Consolidated sales	**19.2**	14.2	*5.0*
Operating income/(loss) before non-recurring items	**0.2**	(1.9)	*2.1*

Special Metals sales contributed 5% of the Group's consolidated total in FY 2018. PPM Pure Metals GmbH generated sales of €19.2 million in FY 2018, surging 35% higher from €14.2 million in FY 2017.

The business received a boost from its sales and marketing initiatives, including efforts to promote "dopants" for silicon wafers, an area in which PPM Pure Metals GmbH is expanding. Arsenic sales volumes rose sharply, more than making up for the unfavorable pricing trends. Performance in germanium was underpinned by higher sales volumes and selling prices.

The segment's operating performance before non-recurring items reached breakeven point in FY 2018, compared to a loss of €1.9 million in FY 2017.
In a more supportive environment during 2018, this improvement reflected firm arsenic sales volumes, sales and marketing initiatives to turn around margins on germanium sales, measures to diversify the metals portfolio and tight cost management.

- ***Plastics segment***

In millions of euros	FY 2018	FY 2017	Change
Consolidated sales	**12.9**	13.6	*(0.7)*
Operating income/(loss) before non-recurring items	**(0.7)**	0.1	*(0.8)*

The Plastics segment's sales came to €12.9 million in FY 2018, down 5% compared to FY 2017. Recycled polypropylene production amounted to 12,500 tonnes, down 6% on the 13,260 tonnes recorded in FY 2017.

Business was again heavily affected by the reduced competitiveness of recycled materials compared to virgin polypropylene and by weak demand from the automotive sector, especially in Germany. As a result, the segment's operating loss before non-recurring items came to €0.7 million in FY 2018, compared to a breakeven performance (€0.1 million) in FY 2017.

Group cash position and external financing

Cash flow generated by the Group's operating activities before non-recurring items increased compared to the previous financial year. It again held up at €4.3 million in positive territory, compared to €0.9 million in FY 2017. Despite the significant decline in the EBITDA generated in the Lead segment, the overall decline was not very large as a result of a very steep reduction in the Group's working capital requirement (down €15.1 million), chiefly at the Nordenham plant.

Cash flow from operating activities amounted to €7.1 million in FY 2018, compared to an outflow of €5.7 million in FY 2017. This positive cash flow reflected:

- the €10.4 million in dividends from associates
- €4.6 million in site remediation costs, chiefly from the ongoing remediation work at the L'Estaque site
- payments of €1.4 million to the European Commission under the staggered payment plan for the fine handed down on February 8, 2017.

The improvement in cash flow from operating activities was due in particular to an increase in dividends from associates in FY 2018 compared to the previous year. It had been adversely affected in FY 2017 by Recylex SA's €8.2 million compensation payment (principal and interest) to 187 former employees of Metaleurop Nord SAS, pursuant to the rulings handed down by the Douai Appeal Court on January 31, 2017.

Cash flow from investing activities came to €-25.1 million in FY 2018, down from €-36.6 million in FY 2017 owing chiefly to €17.2 million in capital expenditures at the Nordenham lead smelter related to the construction of the reduction furnace and the smelter's new configuration.

Cash flow from financing activities came to €20.1 million in FY 2018, down from €39.8 million in FY 2017. This largely reflected:

- the €15.4 million drawdown on the available bank borrowings arranged in December 2016
- drawdowns totaling €16 million on two loans arranged with Glencore International AG as part of the financing secured in December 2016
- €5,2 million in repayments of the German borrowings
- €9.4 million in interest expense
- an aggregate €3.3 million increase in Recylex SA's share capital through the issue of new shares, including under the equity line

Taking all these items into account, the Group's net cash position, after deducting the credit lines used, totaled negative €7.4 million compared to negative €9.5 million at December 31, 2017.

The Group's gross cash position rose slightly to €6.4 million at December 31, 2018 from €5.5 million at December 31, 2017. At December 31, 2018, the Group had used all the available credit lines, that is a total of €13.8 million (vs. €15.0 million at December 31, 2017).

Net debt *in thousands of euros*	***December 31, 2018***	***December 31, 2017***	***Change***
Cash	6,352	5,546	806
Total assets	**6,352**	**5,546**	**806**
Non-current financial liabilities	16,000	42,214	(26,214)
Current financial liabilities	73,545	22,325	51,220
Other non-current liabilities *(1)*	32,999	33,646	(647)
Other current liabilities *(1)*	1,287	1,055	232
Total liabilities	**123,831**	**99,241**	**24,590**
Net debt[26]	**117,479**	**93,695**	**23,784**

(1) Liabilities related to the European Commission fine, the clawback clause and the rescheduled liabilities from the continuation plan.

[26] *Excluding contingent liabilities (see Note 30)*

The Group's net debt[27] totaled €117.5 million at December 31, 2018, compared to €93.7 million at December 31, 2017. This increase chiefly derives from:

- the €15.4 million drawdown on the bank borrowings arranged in Germany in December 2016 for the German sub-group, predominantly to finance construction work on the Lead segment's new reduction furnace, which was partially offset by a €5,2 million repayment in 2018
- the drawdown of two loans by Weser-Metall GmbH and by Recylex GmbH from Glencore International AG for a total amount of €16 million as provided for in connection with the financing arranged in December 2016

Beyond the €16 million borrowings granted by Glencore International AG as detailed here above, the Weser-Metall GmbH subsidiary benefited from a working capital facility up to €9 million throughout the year 2018, which result in the full use of the €25 million financing package granted by Glencore International AG as part of the December 2016 financing agreement.

Taking into account this working capital facility, the Group's net debt is increased by €9 million totaling €126.5 million.

Business volumes were badly affected by the technical difficulties encountered because of the Nordenham lead smelter's new production configuration in 2018, which led to a sub-par financial performance.
Accordingly, the German sub-group:

- fell short of its performance target for 31, 2018 as stipulated in the financing agreement entered into in December 2016 and revised in September 2018
- was unable to make the scheduled repayment on December 31, 2018

The financial projections prepared in December 2018 and updated in January 2019 point to an additional €27 million borrowing requirement for the German sub-group in FY 2019. These projected financing requirements specifically include:

- a total amount of around €18 million in capital expenditures required for technical improvements at the Nordenham smelter and for the continued operation of the German sub-group
- the German sub-group's operational working capital requirements necessary to safeguard its ability to continue operating as a going concern.

In this context, in December 2018, the Group entered into new discussions with all the financial partners of the German sub-group with a view to adapting the financing obtained by the German sub-group in December 2016 (modified in September 2018) to the Group's current and forecasted cash flow generation.

The Group has requested Glencore International AG to cover this financing requirement for 2019. On February 7, 2019, a bridge financing for 10 million euros with a maturity date of March 31, 2019 was put in place to allow the finalization of the global refinancing agreement which has been scheduled for May 2019.

The insufficient evolution of the operating performance of the Nordenham lead smelter, the deterioration of metal prices on the market and the significant decrease in treatment charges have led to additional financing needs in 2019 covered by bridge financing granted by Glencore International AG.
The post-closing changes in the financial position of the German sub-group, the restructuring of German financial debt and their impacts on the going concern are presented in Note 39 "Subsequent events".

Cash position of parent company Recylex SA

At December 31, 2018, the Recylex SA's parent company improved slightly to €0.9 million in available cash, compared to €0.4 million at December 31, 2017. The Company has prepared cash forecasts based on the information currently available, including forecast expenditures relating to its commitments for the remediation of former mining sites and its L'Estaque site, and repayments linked to the payment of the fine handed down to Recylex SA and its subsidiaries by the European Commission in 2017.

To recap, Recylex S.A. concluded:

- In 2014, Recylex SA entered into a loan agreement for a maximum amount of €16 million with Glencore International AG to finance the final repayments under the continuation plan. At December 31, 2018, the Company had drawn down the full amount of this loan. Under the staggered payment plan for the European Commission's fine, the repayment date for this loan was rescheduled to 2024.
- an agreement was reached in 2017 with the European Commission for the staggered payment of the €26.7 million fine.

[27] The Group's net debt includes interest-bearing borrowings and other liabilities (Note 18), the European Commission fine, the rescheduled liabilities, and the clawback clause, less available cash.

Since the search for financing or specialized partnerships dedicated specifically to remediation works at the L'Estaque site launched in 2013 came to nothing, Recylex SA continued the remediation works at the L'Estaque site in 2018 at a cost of €3.1 million.
The total cost of the work yet to be performed was fully covered by €8.8 million in provisions at December 31, 2018, and Recylex SA will bear the cost by using its own capital.

Drawings in FY 2018 on the equity line arranged with Kepler Cheuvreux in December 2016 generated net cash flow of €2.5 million through the issue of 250,000 new shares in FY 2018. The equity line was suspended since the 30 of July 2018 and expired on December 31, 2018.

The impact of the Group's German operations on Recylex SA's financial position and the risks facing parent company Recylex SA are presented in Notes 32 and 39.

Recylex SA's rescheduled debt

On December 15, 2015, the Paris Commercial Court confirmed that the Company's obligations under its continuation plan had been duly fulfilled. Recylex SA therefore completed the 10-year continuation plan adopted in November 2005. The Company repaid a total of €58 million under the plan.
Certain creditors under the plan, including Glencore International AG, agreed in 2013 to defer until 2019—i.e., beyond the term of the plan—repayment of the balance of liabilities under this plan.
At December 31, 2018, Recylex SA's financial liabilities relating to the deferred payments (after elimination of intra-group debts and before discounting) totaled €5.1 million. Under the staggered payment for the European Commission's fine, the repayment date for these liabilities was rescheduled for 2026.

Ongoing litigation involving Recylex SA

The document summarizing the ongoing litigation involving Recylex SA is., updated on June 8, 2020, is available on the Recylex Group's website: *www.recylex.eu* - *Finance* section - *Legal proceedings schedule*. Developments in the main ongoing proceedings during FY 2018 are presented hereinafter.

(i) Former employees of Metaleurop Nord SAS

a) 2010: Claims for damages for dismissal without fair cause and/or for the prejudice of anxiety and breach of a safety obligation

In 2013, the Lens Labor Court ruled that Recylex SA was a co-employer of 187 former employees and decided to add damages totaling around €7.1 million to Recylex SA's liabilities under the continuation plan, for which provisions were set aside in the Company's financial statements. Recylex SA appealed those decisions, thereby suspending their enforcement.

The Lens Labor Court also ruled in 2013 that Recylex SA was a co-employer of six protected former managerial employees, but found that the Lens Labor Court did not have jurisdiction to examine their claims owing to the principle of the separation of judicial and administrative powers. Following the appeal lodged by these protected former employees against the first-instance rulings, the Douai Appeal Court upheld them in rulings on February 21, 2014.
On January 31, 2017, overturning the 187 decisions made by the Lens Labor Court in 2013, the Douai Appeal Court refused to consider Recylex SA as the co-employer of the claimants, but nevertheless considered that Recylex SA had committed a fault that had caused harm to the former employees of Metaleurop Nord SAS. It therefore ordered Recylex SA to pay an amount of between €15,000 and €53,000 to each of the 187 former employees of Metaleurop Nord SAS to compensate them for their loss of a chance to keep their jobs, along with €400 in costs, making a total principal amount of €7,759,800. All sums due in respect of these decisions, including principal and interest, were paid by the Company on December 1, 2017, which lodged an appeal against these decisions before the Cour de Cassation.

On May 24, 2018, the Cour de Cassation:

(i) dismissed the appeal lodged by the former employees aimed at challenging the refusal by the Douai Appeal Court to consider Recylex SA as their co-employer, and

(ii) reversed and canceled the decisions of the Douai Appeal Court to the extent that they had ordered Recylex SA to pay damages to the former employees for loss of the opportunity to remain in employment, referring these cases to the Amiens Court of Appeal to rule on this point.

Furthermore, 91 of the aforementioned 187 claimants had filed additional claims with the Douai Appeal Court for damages for the prejudice of anxiety and breach of a safety obligation, in a total amount of €5.6 million (of which part is provisioned in Recylex SA's financial statements). The Douai Appeal Court decided to stay the proceedings concerning the claims for damages pending the outcome of the current administrative proceedings regarding the inclusion of the Metaleurop Nord SAS site in Noyelles-Godault on the list of facilities entitling asbestos workers to early retirement benefits ("ACAATA benefits"). In connection with these proceedings, the Douai Administrative Appeal Court decided in a definitive ruling on March 2, 2017 that the order adding the site to the list had to be repealed, and a ministerial decree was issued to this end on December 19, 2017 (see section (iii) below). The next hearing before the Douai Court of Appeal, concerning the claims made by the 91 former employees for anxiety prejudice and breach of a security obligation, has been set for November 24, 2020.

b) 2013-2017: 455 claims for damages in respect of the prejudice of anxiety and/or breach of a safety obligation and/or disputing dismissal in a total amount of €26.5 million, for which provisions of €3.4 million were set aside.

On October 14, 2016 and October 18, 2016, without waiting for the final outcome of the administrative proceedings regarding the classification of the Noyelles-Godault site on the list of facilities giving an entitlement to ACAATA benefits, and although it had been informed that the Conseil d'Etat had overturned the classification ruling of July 21, 2015, the Lens Labor Court decided to order Recylex SA to pay damages to 97 former employees represented by the CGT union, in an amount of between €3,000 and €24,000 each, along with €500 under article 700 of the Civil Procedure Code, representing an aggregate amount of €1,213,500. Recylex SA appealed these decisions, which suspended their enforcement. Conversely, claims from seven former non-protected employees were rejected, but two of them appealed.

The Douai Appeal Court overturned on June 29, 2018 the Lens Labor Court rulings of October 14 and 18, 2016 and found that the damages for the prejudice of anxiety can be granted only to former employees of a plant included on the list of facilities eligible for the early retirement allocation for asbestos workers ("ACAATA") and that Recylex SA was never included on such list. The Company thus reversed the provision it had set aside to cover the risk. 88 former employees have appealed to the Supreme Court of Appeal of Douai against these decisions.

On January 29, 2020, the Court of Cassation has rejected the appeals of the 88 former employees, thus making the Douai Court of Appeal 's decisions final on June 29, 2018.

Regarding the claims made by approximately 333 other protected and unprotected former employees of Metaleurop Nord S.A.S.:

- The next hearing before the Lens Labour Court (Management section) concerning the claims made by 39 former employees for an initial total amount claimed of approximately €2.5 million, initially scheduled for April 14, 2020, has been postponed sine die due to the SARS-CoV-2 pandemic. In the latest stage of this procedure, the claims amounted to a total of approximately €1.2 million;
- The decisions of the Lens Labor Court (Industry section) concerning the claims made by 294 former employees for an initial total amount of approximately €18.5 million, initially expected to be held on April 24, 2020, were postponed sine die due to the SARS-CoV-2 pandemic. In the latest stage of this procedure, the claims amounted to a total of approximately €9.2 million.

However, in all of these cases, the 333 former employees of Metaleurop Nord S.A.S. sought an exclusive condemnation against Metaleurop Nord S.A.S. and, as a result, held harmless Recylex S.A.

Concerning claims for damages for the prejudice of anxiety brought by 13 former employees of Metaleurop Nord SAS represented by the CGT union, on March 30, 2018, the Lens Labor Court decided to order Recylex SA to pay to each of them an amount between €4,000 and €20,000 as damages, along with €500 under article 700 of the Civil Procedure Code, totaling €186,500. Recylex SA appealed these decisions, which suspended their enforcement. The next hearing before the Douai Court of Appeal is scheduled for September 15, 2020.

Finally, following the decisions of the Conseil d'Etat of February 7, 2018 and April 13, 2018, which definitively rejected their application for cancellation of the dismissal authorizations granted by the Labour Inspectorate as part of the compulsory liquidation of Metaleurop Nord S.A.S., 15 former protected employees of Metaleurop Nord S.A.S. withdrew their action against Recylex S.A. before the Lens Labour Court to contest their dismissal.

(ii) Application by Recylex SA to be joined to proceedings against the cancellation of the dismissal authorizations concerning former protected employees of Metaleurop Nord SAS

The claims for damages for losses arising from cancellation of the dismissal authorization are related to the administrative proceedings commenced by these 15 former protected employees to cancel authorization of their dismissal. Since Recylex SA had never been called to appear or represented in connection with this administrative procedure, it applied in January

2015 to be joined to the proceedings being heard by the Douai Administrative Appeal court with a view to overturning this cancellation by the Lille Administrative Court on October 2, 2013.

The Conseil d'Etat decided on February 7, 2018 and April 13, 2018 to overturn the December 31, 2015 ruling by the Douai Administrative Appeal Court and the decision by the Lille Administrative Court of October 2, 2013, confirming the validity of the dismissal authorizations for these former protected employees in 2003.

(iii) Application by Recylex SA to set aside a judgment adversely affecting its interests concerning the interministerial orders of November 5, 2013 and March 2, 2016 adding the Metaleurop Nord SAS facility in Noyelles-Godault to the list of asbestos manufacturing, flocking and insulating plants entitling asbestos workers to early retirement benefits ("ACAATA benefits")

The aforementioned claims for damages for the prejudice of anxiety and/or disruption to livelihood and/or breach of a safety requirement are connected with the administrative proceedings initiated in 2003 by Chœurs de Fondeurs (association of former employees of Metaleurop Nord SAS) aimed at classifying the Metaleurop Nord SAS facility in Noyelles-Godault on the list of asbestos manufacturing, flocking and insulating plants giving an entitlement for ACAATA benefits.

On May 13, 2013, the Douai Administrative Appeal Court (i) overturned the ruling of the Lille Administrative Court of July 4, 2012 upholding the decision made on December 23, 2009 by the French labor ministry refusing to add the Metaleurop Nord SAS facility to the list of asbestos manufacturing, flocking and insulating plants, and (ii) ordered the French ministry of labor, employment, professional training and social dialog to add said facility to the list of those giving an entitlement to ACAATA benefits for the period between January 1, 1962 to December 31, 1996. An interministerial order was made on November 5, 2013 for that purpose.

Since Recylex SA had never been asked to appear or represented in connection with this administrative procedure, it submitted an application to set aside a judgment adversely affecting its interests to the Douai Administrative Appeal Court related to the latter's May 13, 2013 ruling and an application to the Lille Administrative Court to repeal the aforementioned interministerial order classifying the facility.

On July 21, 2015, the Douai Administrative Appeal Court confirmed the addition of the Metaleurop Nord SAS site in Noyelles-Godault to the list of those eligible for the ACAATA allocation. However, it shortened the eligibility period from January 1, 1962 until December 31, 1989, rather than until December 31, 1996, as was previously the case. On March 2, 2016, an interministerial order amending the order of November 5, 2013 was issued for that purpose, and Recylex SA brought proceedings before the Lille Administrative Court seeking the annulment of this new classification-related interministerial order.

On June 27, 2016, pursuant to the proceedings brought by Recylex SA, the Conseil d'Etat canceled the order by the Douai Administrative Appeal Court of July 21, 2015 insofar as it related to Metaleurop Nord SAS' site in Noyelles-Godault being classified on the list of facilities giving an entitlement to ACAATA benefits for the period from January 1, 1962 to December 31, 1989. The matter was referred back to the Douai Administrative Appeal Court, with a differently constituted bench, which was to re-examine it and make a decision about both the admissibility and merits of the classification request.

On March 2, 2017, the Douai Administrative Appeal Court ruled in Recylex SA's favor and decided to:
- declare its order of May 13, 2013 null and void
- dismiss the application submitted by the Chœurs de Fondeurs association
- enjoin the French ministry of labor, employment, professional training and social dialog to repeal, within two months of notification of that order, the order of November 5, 2013 placing Metaleurop Nord's facility at Noyelles-Godault on the list of facilities giving an entitlement to ACAATA benefits.

Since the order became definitive, and the application by the Chœurs de Fondeurs association was not admitted by the Conseil d'Etat, a ministerial order repealing the classification orders of November 5, 2013 and March 2, 2016 was issued on December 19, 2017. On February 19, 2018, a claim for annulment of this ministerial decree of December 19, 2017 was lodged by former employees of Metaleurop Nord SAS, as well as a new request for the classification of the Noyelles-Godault site. On June 26, 2019, the Lille Administrative Court repeal the action for annulment against the inter-ministerial Decree of December 19, 2017.

(iv) Liquidators of Metaleurop Nord SAS

a) Claim for damages against the liquidators

On March 19, 2013, Recylex SA commenced proceedings to claim around €22 million in damages before the Béthune Regional Court against the liquidators of Metaleurop Nord SAS for the loss that Recylex SA had suffered on account of the fault committed by the liquidators in connection with the dismissals of the former Metaleurop Nord SAS employees, which led to damages being paid by Recylex SA to over 550 former employees of Metaleurop Nord SAS. To recap, these damages were paid to remedy their dismissal without fair cause and the absence of any efforts to find them other suitable jobs within the company.
On September 18, 2018, the Béthune Regional Court threw out Recylex SA's claim for damages and found that the Metaleurop Nord SAS' liquidators were at fault, in a personal capacity, for not having fulfilled their legal duty to look for other suitable employment during the economic redundancy procedure in 2003 for the former Metaleurop Nord SAS employees. However, the Court found that the liquidators should be exonerated in respect of two-thirds of the corresponding loss, insofar as the legal deadline of 15 days imposed on the liquidators to make the redundancies would have been incompatible with their statutory duty to look for other suitable employment. The Court also held the liquidators harmless from their liability on the grounds that Recylex SA itself would have been obliged to look for other suitable employment.

Since both the Court's grounds for exonerating liquidators were totally unfounded in its opinion, Recylex SA appealed the decision. The next hearing before the Douai Court of Appeal has been set for October 22, 2020.

b) Claim for damages against Recylex SA

On October 17, 2014, the liquidators of Metaleurop Nord SAS summoned Recylex SA to appear before the Arras Commercial Court with a view to its being ordered to pay a total principal amount of around €22 million (not provided for in the financial statements), which corresponds to the statutory severance pay, pay in lieu of notice period, paid leave, employers' payroll charges and salaries paid to the former Metaleurop Nord SAS employees by the AGS salary guarantee fund regime.

On April 11, 2018, the Arras Commercial Court ruled in favor of Recylex SA. It found the claim filed by the liquidators of Metaleurop Nord SAS was inadmissible because the claim was time-barred from March 21, 2013 and also because their alleged claim arose prior to the commencement of Recylex SA's judicial recovery procedure but was not declared on the list of liabilities. The liquidators appealed the decision. The pre-trial hearing for the scheduling of the next hearing for pleadings before the Douai Court of Appeal has been set for June 25, 2020.

No provision has been set aside in the Company's financial statements in relation to these proceedings.

(v) European Commission fine

On June 24, 2015, the Directorate General for Competition of the European Commission sent a statement of objections to Recylex SA and its subsidiaries purchasing scrap lead batteries, following an inquiry that started in 2012 regarding anti-competitive practices in the purchasing of scrap lead car batteries.

On February 8, 2017, the European Commission fined Recylex SA and its subsidiaries €26.7 million for anti-competitive practices in the purchasing of scrap car batteries, which included a 30% reduction granted by the European Commission as part of its leniency policy adopted in 2006. That amount was fully provisioned in Recylex SA's financial statements at December 31, 2016.

During the second quarter of 2017, after discussions involving all the relevant parties, the European Commission agreed to the staggered payment plan proposed by Recylex SA, which includes the payment of the fine by Recylex SA (the Group's parent company) and the deferral, on a medium- to long-term basis, of the payment of a sizeable proportion of the fine. Under that agreement, Recylex SA is paying the fine (principal and interest) according to the timetable set out in the staggered payment plan.

On May 23, 2019, the General Court of the European Union rejected the appeal lodged by Recylex S.A. and its subsidiaries against the European Commission's decision of February 8, 2017.
On July 23, 2019, Recylex S.A. lodged an appeal against this decision before the Court of Justice of the European Union, limited to points of law.

(vi) Claim for damages brought by SNCF Réseau concerning the L'Estaque site

On May 7, 2018, Recylex SA announced that SNCF Réseau, a public industrial and commercial institution, had filed a claim in the Marseille Administrative Court to have Recylex SA and RETIA SASAU jointly ordered to pay the entire amount necessary for the "complete refurbishment" of the publicly owned rail assets in the L'Estaque section in Marseille.

SNCF Réseau currently assesses the total cost of the works at €70 million encompassing:

- repair work on the entire Tunnel des Riaux and the Tunnel du Rio Tinto at a cost of €17.1 million and €33.4 million respectively
- the demolition and reconstruction of the Viaduc de Vauclair viaduct (€11.4 million) connecting these two tunnels on land belonging to SNCF, which has never housed any industrial installation
- replacement of the track and ballast in these tunnels and on this viaduct (€8.1 million)

Part of the Tunnel des Riaux is located on 15 hectares of land currently undergoing remediation that belongs to Recylex SA, and the Tunnel du Rio Tinto is located below a (33-hectare) plot of remediated land that belongs to RETIA SASAU.

To recap, the SNCF Miramas-l'Estaque rail line, which was completed in 1915, is more than a century old and was built after the beginning of the industrial operations at the L'Estaque site overlooking it, by Rio Tinto from 1883 and then by Société des Produits Chimiques de Marseille (SPCM) between 1890 and 1914.

Previously in 2001, SNCF had requested a survey of alleged damage, without any effort to establish liability, by an expert appointed by the Marseille Administrative Court, which failed to find any link between the state of the SNCF rail infrastructure and the former industrial installations on the land above.

Recylex SA is surprised by this motion, launched in the same court more than ten years after the expert's report was prepared. Recylex SA, which has not set aside any provisions to cover the associated risks in its financial statements (see Note 38), intends to defend itself vigorously against this claim and to protect its interests in these proceedings. In its opinion, the aim of this claim is to have the last industrial operators of the L'Estaque site pay for the cost of refurbishing a dilapidated rail line.

NOTE 2 - ACCOUNTING POLICIES AND APPLICATION OF IFRS

Significant accounting methods

Use of estimates

The Group's management has used certain estimates and assumptions to draw up the financial statements in accordance with IFRS. These estimates and assumptions may affect the amounts shown in respect of assets and liabilities, contingent liabilities at the preparation date of the financial statements, and the amounts shown in respect of income and expense during the financial year.
These estimates are based on the going concern principle and prepared using the information available when they were produced. They are continually assessed based on past experience, as well as various other factors deemed to be reasonable that represent the basis for the assessments of the carrying amount of assets and liabilities. Estimates may be revised if the assumptions on which they were based change or upon receipt of additional information. Actual results may differ significantly from those estimates depending on various assumptions or conditions.
Given the current backdrop of high market volatility and the degree of difficulty involved in predicting the economic outlook, the accounting estimates used in the preparation of the consolidated financial statements for the financial year to December 31, 2018 are based on the best current estimates of the Group's management.
The principal estimates made by the Group's management relate to depreciation and amortization, impairment losses on intangible assets and property, plant and equipment, and for the remediation of mining sites, pension liabilities, deferred taxes and derivatives.
Disclosures concerning contingent assets and liabilities at the preparation date of the consolidated financial statements are also based on estimates. The estimates used are presented in the corresponding notes to the financial statements.

Basis of preparation

The consolidated financial statements have been prepared in euros, and all amounts have been rounded off to the nearest thousand euros, unless stated otherwise.

Compliance with accounting standards

Pursuant to EC Regulation no. 1126/2008 adopted on November 3, 2008, the Recylex Group has prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted for use in the European Union at the preparation date of these financial statements.

International accounting standards include IFRS, IAS (International Accounting Standards) and their interpretations (Standing Interpretations Committee) and IFRICs (International Financial Reporting Interpretations Committee).

All the standards and interpretations adopted by the European Union are available on the European Commission's website at: *http:// ec.europa.eu/internal_market/accounting/ias_en.htm*.

IFRS applicable at December 31, 2018

The accounting methods and measurement rules applied by the Group in the consolidated financial statements for the year to December 31, 2018 are identical to those used in the financial statements to December 31, 2017, with the exception of the changes detailed below.

The following standards are applicable with effect from January 1, 2018 and did not have a material impact on the financial information presented below:

- **IFRS 15 – Revenue from Contracts with Customers**
  IFRS 15 replaces IAS 11 – Construction Contracts, IAS 18 – Revenue and related IFRIC interpretations, and applies to all revenue from customer contracts other than that covered by other standards.
  IFRS 15 requires judgment to be exercised concerning all the facts and circumstances that may arise in connection with customer contracts based on the five-step model. Under IFRS 15, revenue is recognized in an amount that reflects the consideration to which the entity expects to be entitled from a customer in exchange for goods or services. IFRS 15 also states how to account for costs incurred in obtaining or renewing a contract with a customer.
  The Group conducted an analysis of the various revenue sources and of the effects of adopting IFRS 15 on its revenue recognition from January 1, 2018.
  Under IFRS 15, there are non-material impacts on the Group's revenue recognition arrangements. These arise from the breakdown of certain customer contracts into two distinct performance obligations (sale of the metal and shipment services, with the latter obligation considered as non-material given the incoterms and the geographical area of delivery).

  Accordingly, the Group's accounting policies concerning revenue recognition were amended as follows:

  Revenue derives primarily from sales of metals (lead ingots, special metals and, to a lesser extent, lead residues), zinc oxide and recycled polypropylene products to third parties, and from related performance obligations, such as the shipment services based on contractual incoterms. Revenue from the sale of these products and services is recognized once control of the product sold and the service provided passes to the customer.

- **IFRS 9 – Financial Instruments**
  IFRS 9 replaces IAS 39 – Financial Instruments: Recognition and Measurement.
  IFRS 9 lays down the principles for recognizing, measuring and derecognizing financial assets and liabilities. The standard also covers the recognition of hedging transactions.

  The Group conducted an analysis of changes introduced by this new approach based on its financial statements and determined, where appropriate, the impact of:
  - Hedging transactions: The Group has not identified any impact arising from the adoption of IFRS 9. The Group uses derivatives traded on LME or forward contracts to hedge the transaction risk arising from changes in the metal prices. Those derivatives are initially and subsequently measured at their fair value, but they are not designated as hedging instruments as defined in IFRS 9.
  - Impairment of trade receivables: The Group does not believe that the IFRS 9 arrangements have a material impact on its trade receivable impairment model given the low level of default rates observed in the past and also the homogeneity and stability of its customer portfolio from one year to the next.

The following new standards, amendments to existing standards and interpretations have been published, but were not applicable at December 31, 2018, and were not adopted early by the Group:

- **IFRS 16 – Leases**
  The IASB has published IFRS 16 – Leases, which introduces a new model for recognizing leases, which will be mandatory from January 1, 2019. This standard requires lessees to recognize all outstanding lease payments under leases covered by the standard in the form of a right-of-use asset and a lease liability. The Group has adopted the simplified retrospective method and will restate all of its eligible leases, with the exception of the exemptions permitted under the standard in respect of:
    - short-term leases (term of less than 12 months)
    - leases where the underlying asset is of low value (unit replacement value of less than USD5,000)
    - leases for intangible assets

  The Group modeled the impact of adopting the standard on its 2019 financial statements based on an inventory of leases at year-end 2018, restating for the amounts outstanding at January 1, 2019. The lease assets mainly comprise vehicles and equipment used to manufacture products. The anticipated impact on the opening balance sheet at January 1, 2019 is an estimated increase of around €1.5 million in property, plant and equipment, in return for the recognition of a corresponding lease liability.

Accounting for events subsequent to the balance sheet date

The Group has taken into account events after the balance sheet date and has, where appropriate, either adjusted its financial statements or provided information in the notes to the financial statements in respect of such events if they were material.

In accordance with IAS 10.8, only events confirming a situation prevailing at the balance sheet date have led to adjustments in the financial statements. Material events that relate to a new situation arising after the balance sheet date are disclosed in the notes (IAS 10.10).

Going concern

The continuation until May 2020 of discussions with financial partners with a view to restructuring the debt of the German sub-group and the opening of insolvency proceedings at the level of the entities of the German sub-group on May 15, 2020 (see Note 39 "Subsequent events") created special conditions for the closing of the financial statements for the year ended in December 31, 2018.
The going concern principle adopted to prepare the consolidated financial statements for the year ended in December 31, 2018 is closely linked to the Group's economic and financial outlook with the residual scope of consolidation as from May 15, 2020, and in particular to Recylex S.A.'s ability to continue its business over the long term, which is itself dependent, among other things, on the ability of Weser-Metall GmbH, a company now no longer part of the Recylex Group and subject to an insolvency proceeding, to also continue its business while continuing to obtain secondary materials from Recylex S.A.

In this context, Recylex S.A. has prepared new financial forecasts, the main assumptions of which are described in Note 39 ("Subsequent events - Financial position of Recylex S.A. and going concern assessment"). The assumptions condition the going concern of Recylex S.A. and, by extension, the going concern of the Group as a whole.
The cash flow forecasts thus prepared may also be impacted by the factors described in Note 32.5.1.1 Liquidity risks - Cash flow forecasts.

In this context and under the assumptions and risks described in Notes 39 and 32.5.1.1 to the consolidated financial statements mentioned above, the consolidated financial statements for the year ended December 31, 2018 have been prepared on a going concern basis.

The non-realization of one or more of the assumptions and/or the negative change in one or more of these parameters described in Note 39 would trigger, depending on its magnitude, a short-term financing requirement that would no longer be compatible with Recylex S.A.'s cash flow forecast mentioned above. In consequence, the Company would be obliged to look for and obtain new financing in order to maintain cash balance and in order to meet its liabilities in the normal course of business

As a result, in that case, the Company may not be able to realize its assets and liabilities and settle its debts in the normal course of business. Consequently, this situation creates significant uncertainty for the going concern.

Scope and methods of consolidation

The consolidated financial statements include the financial statements of Recylex SA, all the companies directly or indirectly controlled by the Group, companies jointly controlled by the Group and those over which the Group exerts significant influence at December 31 each year.
Subsidiaries' financial statements are prepared for the same reference period as those for the parent company using consistent accounting methods.
All inter-company transactions and balances, as well as income, expense and unrealized gains and losses arising from internal transactions included in the carrying amount of assets, are eliminated in full.
Companies over which the Group exercises exclusive control directly or indirectly are fully consolidated.
Investments in jointly controlled entities are accounted for under the equity method.
Investments in associates are accounted for under the equity method. An associate is a company over which the Group has significant influence and which is neither a subsidiary nor a joint venture.
In order to guarantee the proper execution of the obligations under the Loan, the shares of Recylex GmbH, Harz-Metall GmbH and Weser-Metall GmbH were transferred to two ad hoc trustee structures under a German law fiduciary security agreement (Trust), with the understanding that the economic ownership of the shares of these entities remains with the entities of the Recylex Group, which continue to exercise and benefit from their shareholder rights as long as the creditors are not in breach of their obligations. From an accounting point of view (IFRS 10), the mechanism is not deconsolidating insofar as, taking into account the rights retained by the constituent entities, the latter retain control, within the meaning of accounting regulations, of the assets transferred, as long as the creditors are not in breach of their obligations under the Loan agreement.
At the balance sheet date of December 31, 2018, as the borrowers were not in breach of their obligations, control was retained by the grantors. All the entities of the German sub-group have therefore been included in the Group's scope of consolidation.

Summary of significant accounting methods

Presentation of the balance sheet

Pursuant to IAS 1, the Group has adopted a balance sheet format with a distinction between current and non-current assets and liabilities.
The distinction between current and non-current items is based on the following rules:

- assets and liabilities comprising components of the working capital requirement in the normal business cycle are classified as current
- assets and liabilities that are not part of the normal business cycle are shown either under current or non-current assets and liabilities, depending on whether they have a maturity of more or less than one year.

Foreign currency translation

The consolidated financial statements have been prepared in euros, the functional currency of all Group companies.

Translation of foreign currency transactions

Transactions denominated in currencies other than the euro are recorded at the exchange rate ruling at the transaction date. At the balance sheet date, foreign currency assets and liabilities are translated at the closing rate, and unrealized currency gains and losses are taken to income.

Property, plant & equipment, intangible assets, and impairment losses

- **Property, plant and equipment**

Property, plant and equipment is carried at cost, excluding recurring maintenance expenses, less accumulated depreciation and impairment losses. Cost includes purchase and production cost, as well as any costs directly attributable to bringing the asset into service in its location for normal operation.

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Buildings	20 to 50 years
Technical installations, plant, equipment and tools	5 to 30 years
Other property, plant and equipment..	3 to 15 years

Property, plant and equipment is derecognized upon its retirement or when no future economic benefits are expected to flow from its use or its disposal. Any gains or losses resulting from derecognition of an asset (difference between the net

proceeds upon disposal and carrying amount of the asset) are recognized in income when the asset is derecognized. The residual value, useful life and depreciation schedule of assets are reviewed and adjusted, if necessary, at each balance sheet date. Any such changes are treated as changes in estimates in accordance with IAS 8.
Depreciation of property, plant and equipment is recognized under depreciation and amortization on the income statement.

Borrowing costs related to the acquisition of property, plant and equipment are either expensed in the period in which they are incurred or included in the cost of non-current assets in progress until they come into service in accordance with IAS 23.

Any subsidies are recognized as a reduction in the gross value of the relevant item of property, plant and equipment and are written back to income as it is depreciated.

- **Intangible assets and goodwill**

Intangible assets are stated at their purchase cost.

Where they have a finite useful life, intangible assets are amortized over the useful life anticipated by the Group. This useful life is determined by the Group on a case-by-case basis based on the nature of the items included in each category. Where they have an indefinite useful life, intangible assets are not amortized, but systematically undergo annual impairment testing.
A summary of the estimated useful lives generally applied to the Group's intangible assets is shown below:

Software	Straight-line amortization over periods of 1 to 10 years
Patents, etc.	Straight-line amortization over periods of 10 to 20 years

Goodwill arising on a business combination is initially stated at cost and represents the excess of the Group's interest in identifiable assets acquired net of liabilities and contingent liabilities assumed over the cost of the business combination. After its initial recognition, goodwill is stated at cost less any impairment losses. Goodwill must undergo impairment testing annually or more frequently whenever events or changing circumstances indicate impairment has occurred.

- **Asset impairment losses**

  - *Impairment tests on intangible assets with an indefinite useful life and goodwill*

Goodwill and intangible assets with an indefinite useful life are tested for impairment in accordance with IAS 36 – Impairment of Assets at least once each year or more frequently where there is evidence of impairment. When tests indicate that the recoverable amount of an asset (or group of assets) has fallen below its net carrying amount, an impairment loss equal to the difference is recognized in income and allocated first to goodwill.
A previously recognized impairment loss is reversed where there is a change in the estimates used to determine the recoverable amount of the asset. In this case, the carrying amount of the asset is increased to its recoverable amount. However, goodwill impairment losses may not be reversed. Impairment losses, and conversely reversals of impairment losses, are recognized in income. Accumulated amortization may be adjusted so that the revised carrying amount of the asset is spread over the remainder of its useful life.

  - *Impairment tests on property, plant and equipment and intangible assets with a finite useful life*

The Group's assets consist solely of property, plant, equipment and intangible assets with finite lives. The Group does not carry any goodwill or other intangible assets with indefinite lives. Assets are divided into eight cash generating units (CGUs). Accounting standards require the Group to test the value of its assets if it sees evidence of impairment. If no such evidence exists, impairment tests are updated at the Group's discretion. Cash-generating units (CGUs) are defined in accordance with IAS 36. Management has defined operational CGUs based on the Group's legal entities, taking into account both activities of Harz-Metall GmbH (zinc and lead).

CGU	Business/operating segment
Weser-Metall GmbH	Lead
Harz-Metall GmbH	Lead
Recylex SA	Lead
Harz-Metall GmbH	Zinc
Norzinco GmbH	Zinc
C2P SAS	Plastics
C2P GmbH	Plastics
PPM Pure Metals GmbH	Special Metals

As part of these tests, the Group compared the carrying amount of each CGU for which an indication of impairment was observed with its recoverable amount, which is defined as the higher of its value in use and fair value less costs to sell. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit and its ultimate sale. Fair value less costs to sell reflects the amount that could be obtained from selling the asset (or group of assets) in an arm's length transaction less any costs directly attributable to the disposal.
Cash flow projections are generally drawn up for a five-year period, with a terminal value, to which a growth rate revised every year is applied. Terminal value is computed using the Gordon-Shapiro method. The discount rate is calculated using the Weighted Average Cost of Capital (WACC) method.

Financial assets

Non-current financial assets consist of investments in unconsolidated subsidiaries, amounts due from investments, and advances and guarantee deposits granted to third parties.
In accordance with IFRS 9, investments in controlled, unlisted companies that are not consolidated are treated as available-for-sale securities (other models under IFRS 9) and measured at fair value through profit or loss.
Where there is no active market, the Group employs commonly used measurement methods. When fair value cannot be estimated reliably using generally accepted methods, the securities are stated at acquisition cost, less any accumulated impairment.
Advances and guarantee deposits are non-derivative financial assets with pre-determined or determinable payments that are not listed on an active market. Such assets are recognized at amortized cost using the effective interest rate method. Any gains or losses are recognized in income when the loans or receivables are derecognized or impaired.
Acquisitions and disposals of financial assets are generally recognized on the transaction date.

Inventories

Inventories and work in progress are stated at the lower of cost and net realizable value.
Cost is determined using the weighted average unit cost method. This includes raw materials and direct labor costs, as well as a portion of indirect production costs.
Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs to completion and the estimated costs necessary to make the sale.

Trade receivables

Trade receivables are recognized at the initial invoice amount less any write-downs for unrecoverable amounts and then reported as financial assets at amortized cost. A provision is set aside when there is objective evidence that the Group will not be able to recover the receivables. Unrecoverable receivables are recorded as a loss as soon as they are identified as such.
For the Group's two German subsidiaries, factoring agreements are accounted for according to their legal terms. The general terms and conditions of the factoring agreements provide for a guarantee against the risk of customer insolvency under which the factoring company has "no recourse". The trade receivables are thus sold to the factoring company at their face value. The cash received from the sale is paid into the Company's bank accounts. The retentions provided for contractually by the factoring companies are recognized as other receivables.

Non-current assets held for sale and related liabilities

In accordance with IFRS 5, non-current assets available for sale are those assets the sale of which is highly probable and in respect of which an active program to sell the assets has been initiated. Non-current assets classified as held for sale are measured and recognized at the lower of their net carrying amount and their fair value less costs to sell. These assets are no longer depreciated.

Derivatives not designated as hedging instruments

The Group is exposed to two main transaction risks related to metals prices:

1) Risk of fluctuations in metal prices relative to its firm commitments under sale contracts which are not recognized on the balance sheet:

This exposure derives from sales of metals for which production is based on secondary materials (lead produced from battery recycling), the price of which is not directly linked to market prices, and on surplus metals recovered from the materials to be processed.

2) Risk of fluctuations in the price of metals held in commercial inventories[28]:

[28] *Lead inventories at the Nordenham smelter are divided into a) permanent inventories; b) commercial inventories. The Group is exposed to risks relating to the prices of metals in its inventories. This risk relates to the market value of the metal, which could fall below the carrying*

Most transactions related to metals use LME prices. If metal prices were constant, the price paid by the Group for these raw materials would be passed on to the customers in the product price. However, during the transformation of the raw materials into products, fluctuations in metal prices result in differences between the price paid for the metal contained in the raw materials and the price received for the metal contained in the products sold to the customer. A transaction risk therefore exists concerning changes in metal prices between the moment when the price of the raw material purchased is determined and the moment when the price of the finished goods is determined.
The Group uses derivatives traded on the London Metal Exchange (LME) or forward contracts to protect itself against these transaction risks. Those derivatives are initially and subsequently measured at their fair value, but they are not designated as hedging instruments as defined in IFRS 9. Changes in fair value are recognized through profit or loss under Other financial income or Other financial expense.

Derivatives designated as hedging instruments

The Group applies the principles of hedge accounting where it can be demonstrated that hedging relationships between derivatives and the risks hedged satisfy the requisite conditions for hedge accounting to be adopted. The conditions to be met are:

- designation and formal documentation at the inception of the hedge
- the demonstration that the hedging relationship meets all the hedge effectiveness requirements, i.e.: (i) there is an economic relationship between the hedged item and the hedging instrument, (ii) the effect of credit risk does not dominate the value changes that result from that economic relationship, and (iii) the hedge ratio is not imbalanced between size of the hedged item and that of the hedging instrument, such that the imbalance would render the hedge ineffective and the outcome of the hedge would be incompatible with its purpose.

The Group then identifies the hedging strategy, the risk hedged and the method used to assess the hedge's effectiveness:

- **Fair value hedges:**
  The hedged item is remeasured with respect to the risk hedged, and the hedging instrument is measured and recognized at its fair value. Changes in these two items are recognized simultaneously under operating income.
- **Cash flow hedges:**
  The hedged item is not remeasured, and only the hedging instrument is remeasured at fair value. The double-entry of this remeasurement consists of the recognition in equity net of tax of the effective portion of the change in fair value attributable to the hedged risk. Amounts accumulated in equity are taken back to income when the hedged item affects the income statement. The ineffective portion is left in income for the period.

Cash and cash equivalents

Cash and short-term deposits recognized on the balance sheet include bank balances, cash and short-term deposits with an initial maturity of less than three months.
For the purposes of the cash flow statement, cash and cash equivalents include cash and cash equivalents as defined above, net of short-term bank overdrafts.

Interest-bearing borrowings

All borrowings are initially recognized at the fair value of the amount received less any directly attributable transaction costs. Following initial recognition, interest-bearing borrowings are stated at amortized cost using the effective interest rate method.
The portion of debt due in less than one year is shown under current liabilities.

Provisions

Provisions are set aside when the Group has a legal, contractual or constructive obligation to a third party arising as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, without any equivalent benefit being expected, and where the amount of the obligation can be estimated reliably.
Where the Group anticipates partial or full repayment of the provision, for instance under an insurance contract, the repayment is recognized as a separate asset, but only if the repayment is near-certain. The expense associated with the provision is shown on the income statement net of any repayment.
If the effect of time value is material, provisions are discounted at a pretax rate that reflects, where appropriate, the risks specific to the liability. Where the provision is discounted, the increase in the provision linked to the passage of time is recognized as a borrowing cost.

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amount of inventories. The Group's policy is not to hedge the risk relating to permanent inventories and to hedge the risk relating to commercial inventories.

When the provision is used, the provision is reversed through a credit to the expense account in which the expense covered by the provision was recorded. When the reversal of the provision reflects the disappearance of the risk without any related outlay, the reversal takes place through a credit to the charges to provisions account.
The provisions set aside by the Group primarily cover site remediation and pollution abatement.
Provisions are set aside to cover risks identified at sites in operation wherever a legal or regulatory obligation arises.

In the case of provisions for remediation of operational storage areas for end-of-process waste (slag), the Group recognizes provisions for its remediation obligations, with a balancing entry in non-current assets reflecting the expected date of the relevant expenditures (present value). This asset is amortized over the residual useful life of the underlying asset.
In addition, provisions for site remediation are recognized in accordance with the legal requirements.
The provisions set aside to cover these risks are assessed on the basis of a forecast budget prepared with the help of specialist consultancies, based on legal and technical factors known at the time the estimates are made. The Group then consults contractors in order to refine its forecasts.
Provisions arising during the normal business cycle are classified under current provisions.

Employee benefits

The Group sets aside three types of provision:

- *Provisions for long-service awards*
  These provisions are set aside where local rules (law, internal procedures, etc.) give rise to a liability for the Group.
- *Provisions for early retirement*
  Certain employees in Germany benefit from an early retirement scheme including a period of part time working and a period of leave. During these periods, they receive a salary equivalent to 50% of their final salary plus a payment to offset the reduction in their working hours.
- *Provisions for provisions for pensions and post-employment obligations*
  Pursuant to the law and customary practice in each country, the Group provides its employees with pension plans and related benefits. In France, each Group employee receives a lump-sum payment upon retirement. In Germany, certain employees receive supplementary pension payments.
  Aside from the statutory plans, pension plans may be either defined contribution or defined benefit plans.

Statutory pension plans

In some countries, most notably France, the Group contributes to the statutory social security plan, whereby the expense incurred during a period matches the contributions payable to government agencies.

Defined contribution plans

Benefits paid under these plans depend solely on total contributions into the plan and the return achieved on investments of these amounts. The Group's obligation is limited to the contributions paid, which are expensed as incurred.

Defined benefit plans

The Group's obligation under these pension plans is calculated on an annual basis by independent actuaries using the projected unit credit method. These obligations are assessed based on assumptions concerning mortality, staff turnover and estimated future salaries.
Projected future benefits are discounted to net present value using appropriate rates for each country. Discount rates are determined by reference to the rates of return on bonds issued by corporate borrowers with an AA rating having the same maturity as the obligations.
There are two different types of pension plan in this category:

- annuity plans - beneficiaries receive pension payments throughout their retirement (German retirement plan)
- lump-sum payments upon retirement or departure from the Company (lump-sum end-of-career payments in France). Employees receive a number of months of salary dependent on length of service at the time of retirement, as defined in the collective employment agreement in force.

Actuarial gains and losses arise when differences are observed between actual figures and previous estimates, or following changes in actuarial assumptions. In the case of post-employment benefits, these items are fully recognized in the financial year in which they arise under Other comprehensive income in accordance with IAS 19 – Employee Benefits.
The liabilities recorded are equivalent to the present value of the obligation less the fair value of plan assets. Fair value is determined using available market information.
The risks faced by the Group under these plans are longevity and asset impairment risks.

Share-based payments:

The Group uses share-based remuneration methods.
Stock options and free share plans have been granted to certain senior managers and employees of the Group.

- Stock options:

The fair value of services received in return for the grant of these options is measured definitively with reference to the fair value of those options at the grant date and to the number of options for which the vesting conditions will be met at the end of the vesting period. In carrying out this measurement, the Group uses a Black & Scholes mathematical valuation model. During the vesting period, the total fair value is charged on a straight-line basis over the whole vesting period for the plan in question, and the number of options for which the vesting conditions will be met is reviewed at each balance sheet date. The expense is recognized in staff costs, with a matching increase in equity. When options are exercised, the exercise price received by the Group is recognized in cash and cash equivalents, with a matching increase in equity.

- Free shares:

Free shares are measured at fair value on the grant date. This amount is recognized under staff costs on a straight-line basis over the vesting period of the rights (period between the date of grant and the expiration date of the plan).

Leases

Finance leases, which transfer substantially all the risks and rewards of ownership incidental to ownership of the leased asset, are recognized on the balance sheet from the inception of the lease. They are recorded under property, plant and equipment at the lower of the fair value of the leased asset and the present value of minimum lease payments. A financial liability of the same amount is recognized under liabilities. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The finance charge calculated on the liability is recognized directly in income.
Leased assets are depreciated over their estimated useful life.
Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term.

Presentation of the income statement and principal financial indicators

As permitted under IAS 1 – Presentation of Financial Statements, the Group presents its income statement using the nature of expense method.

Revenue recognition

Revenue from the lead, zinc and polypropylene business segments arises from the sale of recycled lead, zinc and polypropylene, from sales of the by-products produced from the recycling process (silver, sulfuric acid) and from contributions to treatment charges.

Revenue from the Special Metals segment derives from sales of the high-purity metals (arsenic, germanium, gallium) produced or purified.

Revenue from these sales is recognized when control of the products passes to the customer, i.e., when the identified performance obligations are satisfied.
In its various activities, the Group has determined that performance obligations are mainly met when products are delivered and, accordingly, revenue is recognized at that specific moment.

Volumes processed under the tolling agreement are not recognized in sales.

Operating income/(loss) before non-recurring items

Operating income before non-recurring items is the income or loss on operating processes and includes all income and expense items arising directly from the Group's business activities, excluding:

- income and expense resulting from one-off decisions and transactions, such as the effects of the continuation plan on corporate liabilities, an issue covered in detail in Note 18, asset disposals and restructuring
- income and expenses related to the legal proceedings involving Metaleurop Nord SAS (see Notes 14 and 25)
- income and expense relating to closed industrial sites, former landfill sites and the Group's mining concessions in connection with the waiver of rights to operate them (see Notes 25 and 38)
- impairment (reversals of impairment) of non-current assets following impairment tests (see Notes 5 and 25).

Other non-recurring income/(expense)

This heading is used where a major event that occurred during the accounting period is liable to skew analysis of the Group's performance.
It includes a very limited number of income and expense items, which are unusual by virtue of their frequency, nature or amount.

Operating income

Operating income reflects all income and expense items arising directly from the Group's business activities, irrespective of whether these items are recurring or whether they are the result of one-off decisions and transactions.

EBITDA

EBITDA represents operating income before non-recurring items restated for charges to and reversals from depreciation, amortization and provisions (excluding provisions for post-retirement benefits). This indicator is a non-IFRS metric used to measure the company's ability to generate cash from its operating activities. The Group believe that the presentation of this indicator is useful for investors and other stakeholders.

EBITDA is not defined by an IFRS standard and should not be considered as an alternative to any other financial indicator.

Income tax

Income tax assets and liabilities falling due in the current or in previous financial years are stated at the amount expected to be collected from or paid to the tax authorities. The tax rates and tax regulations used to determine these amounts are those enacted or substantively enacted at the balance sheet date.
Deferred taxes are recognized using the liability method in respect of all temporary differences existing at the balance sheet date between the tax base of assets and liabilities and their carrying amount in the balance sheet, as well as on tax loss carryforwards.
Deferred taxes are measured at the tax rates that have been enacted at the balance sheet publication date.
A deferred tax asset is recognized only to the extent that it is probable that taxable profit will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each balance sheet date and are not recognized where a risk of non-recovery exists.

Earnings per share

Basic earnings per share are calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the period.
Diluted earnings per share are calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity by the weighted average number of shares adjusted for the effects of all dilutive potential ordinary shares.

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment break down as follows:

a) Property, plant and equipment at December 31, 2017 and December 31, 2018

12/31/2017 *In thousands of euros*	***Gross***	***Accumulated depreciation and impairment losses (1)***	***Net***
Land	5,037	(795)	4,242
Buildings	112,371	(98,782)	13,589
Plant, equipment and tools	212,459	(195,738)	16,721
Assets in progress	41,065	(1,054)	40,011
Other	24,658	(22,295)	2,363
Total	**395,590**	**(318,664)**	**76,926**

(1) See Note 5

12/31/2018 *In thousands of euros*	***Gross***	***Accumulated depreciation and impairment losses (2)***	***Net***
Land	5,031	(795)	4,236
Buildings	127,459	(120,085)	7,374
Plant, equipment and tools	248,401	(221,783)	26,618
Assets in progress	10,151	(1,367)	8,784
Other	26,215	(22,839)	3,376
Total	**417,257**	**(366,869)**	**50,388**

(2) See Note 5

b) Change in property, plant and equipment between January 1, 2017 and December 31, 2018

In thousands of euros	***Net***
Net carrying amount after depreciation and impairment losses at January 1, 2017	**44,536**
Capital expenditures	38,177
Depreciation for the financial year	(7,759)
Impairment losses for the year (net of reversals)	2,147
Disposals and retirements	(171)
Reversals of depreciation during the financial year	-
Other	(4)
Net carrying amount after depreciation and impairment losses at December 31, 2017	**76,926**
Capital expenditures	23,831
Depreciation for the financial year	(7,470)
Impairment losses for the year (net of reversals)	(42,545)
Disposals and retirements	(352)
Reversals of depreciation during the financial year	-
Other	(3)
Net carrying amount after depreciation and impairment losses at December 31, 2018	**50,388**

Capital expenditures mainly relate to the construction and commissioning of the Lead segment's new reduction furnace. These capital expenditures were offset by the impairment recognized at December 31, 2018 at the Weser-Metall GmbH CGU (see Note 5). In 2018, €2 million in interest payments were recognized in non-current assets in progress in accordance with IAS 23, compared to €1.3 million in 2017.

Subsidies related to property, plant and equipment are presented on the balance sheet as a reduction in the value of the relevant assets and accordingly give rise to a reduction in annual depreciation expense. The subsidies obtained originate from regional development funds in Germany and were granted subject to certain recruitment or investment conditions. At the balance sheet date, all the subsidies recognized satisfy the conditions of grant, and so there is no risk that they will have to be repaid.

c) Property, plant and equipment acquired under finance leases

in thousands of euros	*Gross*	*Depreciation*	*Net*
12/31/2018	2,974	(1,761)	1,213
12/31/2017	2,974	(1,560)	1,414
12/31/2016	2,974	(1,351)	1,623
12/31/2015	2,974	(1,138)	1,835
12/31/2014	2,974	(920)	2,054
12/31/2013	2,974	(707)	2,267
12/31/2012	1,656	(579)	1,077
12/31/2011	1,656	(454)	1,202

Assets held under finance leases mainly comprise production equipment.

NOTE 4 – INTANGIBLE ASSETS AND GOODWILL

Intangible assets and goodwill break down as follows:

a) Intangible assets and goodwill at December 31, 2017 and December 31, 2018

12/31/2017 *In thousands of euros*	*Gross*	*Accumulated amortization and impairment losses (3)*	*Net*
Goodwill	117	(117)	-
Concessions, patents, licenses, etc.	8,393	(8,327)	66
Other intangible assets	-		-
Total	**8,510**	**(8,444)**	**66**

(3) See Note 5

12/31/2018 *In thousands of euros*	*Gross*	*Accumulated amortization and impairment losses (4)*	*Net*
Goodwill	117	(117)	-
Concessions, patents, licenses, etc.	8,681	(8,445)	236
Other intangible assets	-		-
Total	**8,798**	**(8,562)**	**236**

(4) See Note 5

b) Change in intangible assets between January 1, 2017 and December 31, 2018

In thousands of euros	*Net*
Net carrying amount after amortization and impairment losses at January 1, 2017	**714**
Capital expenditures	58
Goodwill	-
Amortization for the financial year	(88)
Impairment loss	(623)
Disposals	-
Other	5
Net carrying amount after amortization and impairment losses at December 31, 2017	**66**
Capital expenditures	288
Goodwill	-
Amortization for the financial year	(118)
Impairment loss	-
Disposals	-
Other	-
Net carrying amount after amortization and impairment losses at December 31, 2018	**236**

NOTE 5 - IMPAIRMENT TESTS

Presentation of the CGUs

The Group's assets consist solely of property, plant, equipment and intangible assets with finite lives. The Group does not carry any goodwill or other intangible assets with indefinite lives. Assets are tested if there is evidence of impairment. If no such evidence exists, impairment tests are updated at the Group's discretion.

Accounting for events subsequent to the balance sheet date at December 31, 2018

The asset value of a CGU is considered to be a complex and non-homogeneous asset whose main factors determining its value may change after the balance sheet date. These subsequent changes may therefore clarify trends in certain factors already known at the balance sheet date.

In particular, changes in technical performance and in the financial resources required (investments and cost envelopes) to achieve the technical performance targeted after the balance sheet date may confirm a trend in cash flows already observed at the balance sheet date and thus lead to a correction of the extent of the change in the value of the asset.

In accordance with IAS 10, the Group has adjusted its impairment tests by taking into account only post-balance sheet events that confirm a situation existing at the balance sheet date.

In April 2020, the Group therefore reviewed the recoverable amount of the CGUs for which, at the balance sheet date, indications of impairment had been identified and whose recoverable amount is significantly influenced by events subsequent to the balance sheet date at December 31, 2018 until the date on which the consolidated financial statements are approved by the Board of Directors.

Only events with a significant impact on the cash flows of the CGUs that showed evidence of impairment at the balance sheet date were taken into account.

Assets are divided into eight cash generating units (CGUs).

CGU	Business/operating segment
Weser-Metall GmbH	Lead
Harz-Metall GmbH	Lead
Recylex SA	Lead
Harz-Metall GmbH	Zinc
Norzinco GmbH	Zinc
C2P SAS	Plastics
C2P GmbH	Plastics
PPM Pure Metals GmbH	Special Metals

Indications of impairment observed

To monitor the value of its assets, the Group updated the impairment tests on certain CGUs posting a persistent operating loss before non-recurring items or operating income before non-recurring items below the Group's expectations. The CGUs are:

<u>Lead segment</u>

The Weser-Metall GmbH (lead smelter) recorded a heavy operating loss before non-recurring items in 2018 as a result of the lengthy scheduled shutdown of the Nordenham smelter in the first quarter of 2018 and the steep slowdown in production throughout the remainder of 2018 as a result of the technical adjustments required to connect the main furnace to the new reduction furnace (full and final commissioning completed in the fourth quarter of 2018).

Further investments are required during 2019 to optimize the operation of the new production configuration. These improvements are intended to raise the availability and smelting capacity of the main (BSF) furnace. Despite these optimization measures, the technical performance originally anticipated will not be achievable.

Accordingly, the CGU's profitability outlook had been revised downwards.

The indications of impairment recorded during the FY 2018 have been confirmed, on the one hand, by the evolution of the plant's production in 2019 and 2020 and, on the other hand, by the evolution of costs and necessary investments:

- The targeted increase in the availability and charging capacity of the main furnace (BSF) was only partially achieved in the last quarter of 2019 and additional measures to improve these parameters are planned in 2020.
- Maintenance costs as well as recurring investments to achieve and maintain the targeted production levels proved to be significantly higher than the initial estimates for 2018 and 2019.

The market dynamics with regard to the increase in lead prices and treatment charges received also had to be revised downwards.

<u>Zinc segment - zinc oxides</u>

The Norzinco GmbH CGU in the zinc oxide segment recorded lower operating income before non-recurring items in 2018. The prevailing conditions for the purchase of zinc scrap, higher energy costs and operating costs drove down the CGU's operating income before non-recurring items.

<u>Special Metals segment</u>

The PPM Pure Metals GmbH CGU recorded an improvement in operating income before non-recurring items in 2018 thanks to a steep increase in sales. Its top line was boosted by the results of its sales and marketing initiatives, including efforts to promote "dopants" for silicon wafers, an area in which PPM is expanding. Arsenic sales volumes rose sharply, more than making up for the unfavorable pricing trends. Performance in germanium was underpinned by higher sales volumes and selling prices. Its operating income before non-recurring items improved substantially in 2018, but still lagged below the Group's expectations.

Impairment testing - methodology

As part of these tests, the Group compared the carrying amount of each CGU with its recoverable amount, which is defined as the higher of its value in use and fair value less costs to sell.

Accordingly, in the financial statements at December 31, 2018, the Group adopted:

- value in use for the PPM Pure Metals GmbH and Norzinco GmbH CGUs
- fair value less costs to sell for the Weser-Metall GmbH CGU, reflecting the new productivity investments scheduled.

<u>Value in use</u>

To determine value in use, the Group discounts forecast future cash flows over a period of five years, to which it adds a terminal value. The growth rate used to extrapolate the cash flow projections in order to determine terminal value was 1.5%.
The discount rate used to calculate value in use is the Group's after-tax weighted average cost of capital. At December 31, 2018, that rate was calculated to be 11.9% for the PPM Pure Metals GmbH and 12.2% for the Norzinco GmbH CGU.

The weighted average cost of capital is calculated on the following basis:

- a risk-free rate of 0.4%, or the average 10-year Bund yield over a 2-year period
- a sector beta of 1.03 for Norzinco GmbH (1.06 for PPM Pure Metals GmbH)
- a market risk premium of 6.2%
- a company-specific risk premium of 5% for PPM Pure Metals GmbH (6.1% for Norzinco GmbH) used in the calculation of its cost of equity
- a spread of 4.7% used to calculate the cost of debt.
- and a sector-average leverage ratio figure for weighting the two components.

<u>Fair value</u>

In accordance with IFRS 13 and in the absence of an active market for the relevant CGU (level 1 fair value input) or relevant listed peers (level 2 fair value input), the fair value of the Weser Metall GmbH CGU was determined by discounting the projected market cash flows at the cost of capital (level 3 fair value input), with those projected cash flows including flows expected from planned new productivity investments. To determine fair value less costs to sell, the Group discounted estimated future market cash flows over a period of five years, and then added a terminal value. The growth rate used to extrapolate the cash flow projections in order to determine terminal value was 1.5%.

The calculation of the cost of capital is based on 2-year parameters and includes a specific risk premium of 5.1% for the Weser-Metall GmbH CGU. At December 31, 2018, an independent expert calculated that rate to be 11.3%.

The calculation of the cost of capital applicable to fair value is based on:
- a risk-free rate of 0.4%, corresponding to the average 10-year OAT yield over a 2-year period
- a 2-year capital employed beta of 1.03
- a market risk premium of 6.2%
- a company-specific risk premium of 5.1% for Weser-Metall GmbH to reflect uncertainties inherent in implementation and achievement of the benefits expected from the productivity investments in the new production configuration
- a spread of 4.7% used to calculate the cost of debt.

For the Weser-Metall GmbH CGU, future market cash flows include €5 million in productivity investments and the additional EBITDA expected to be generated every year through the furnace's higher level of availability. Implementation risks are taken into account in the aforementioned company-specific risk premium.

Impairment testing - results

Weser-Metall GmbH: since the recoverable amount of this CGU is lower than the carrying amounts of the assets tested, the Group recognized €42.3 million in impairment losses.

PPM Pure Metals GmbH: no additional impairment losses were recognized, since the CGU's recoverable amount is above the carrying amount of the assets tested.

Norzinco GmbH: since the value of the CGU's assets was written off completely at December 31, 2018, no further impairment losses were recognized.

Net carrying amounts at December 31, 2017 and December 31, 2018, taking into account impairment losses on property, plant & equipment and intangible assets tested and/or on which impairment losses were recognized, break down as follows:

	12/31/2017			
CGU *In millions of euros*	**Non-current assets, gross**	**Accumulated depreciation and amortization**	**Impairment losses**	**Net**
Weser-Metall GmbH, Lead	154.3	(99.2)	(5)	50.1
C2P GmbH, Plastics	6.2	(5.2)	(1)	-
PPM Pure Metals GmbH, Special Metals	42.4	(37.2)	(5.2)	-
Norzinco GmbH, Zinc	12	(8)	(4)	-
Total	**214.9**	**(149.6)**	**(15.2)**	**50.1**

	12/31/2018			
CGU *In millions of euros*	**Non-current assets, gross**	**Accumulated depreciation and amortization**	**Impairment losses**	**Net**
Weser-Metall GmbH, Lead	173.2	(103.7)	(47.3)	22.2
C2P GmbH, Plastics	6.4	(5.3)	(1.2)	0.0
PPM Pure Metals GmbH, Special Metals	43.7	(37.8)	(4.9)	1
Norzinco GmbH, Zinc	12.2	(8.7)	(3.5)	-
Total	**235.5**	**(155.5)**	**(56.9)**	**23.2**

Presentation of key assumptions used in determining recoverable amounts

The recoverable amount of each CGU is determined by discounting future cash flows, using estimates that reflect the 2019 budget and the most recent business plans prepared by the operating segments. These estimates are produced for each operating segment, based on their financial targets and the following key assumptions:
- the lead and zinc prices used in estimates are based on the forecasts of a base metal market panel of analysts. The Group used prices below these forecasts in its estimates
- the euro/US dollar exchange rate, based on a panel of analyst forecasts
- commercial conditions for the purchase of primary and secondary raw materials and for sales of finished goods and by-products
- the perpetual growth rate used to calculate terminal value

- discount rate
- the volume of material smelted for Weser Metall GmbH
- the competitive and regulatory environment
- The main assumptions used to calculate the recoverable amount of each CGU are set out below.

Assumptions common to the CGUs in the following segments:

Operating segment	Perpetual growth rate	Average lead/zinc price (US dollar)		Average euro/US dollar exchange rate	
		Forecasting period	Terminal value	Forecasting period	Terminal value
Lead	1.5%	1,966	2,112	1.16	1.17
Zinc	1.5%	2,530	2,598	1.16	1.17

CGU-specific assumptions:

Operating segment	CGU	Valuation method	Volume growth	
			Average annual growth rate over the forecasting period	Terminal value[29]
Lead	Weser-Metall GmbH a)	Market DCF	6.6%	1.5%
Zinc	Norzinco GmbH b)	DCF	(1.4)%	1.5%
Special Metals	PPM Pure Metals GmbH c)	DCF	6.2%	1.5%

a) Growth in smelting volume
b) Growth in sales
c) Growth in sales

Sensitivity of recoverable amounts

Impact in millions of euros	Weser-Metall GmbH			Norzinco GmbH			PPM Pure Metals GmbH		
	Parameters	Sensitivity scale	Impact	Parameters	Sensitivit scal	Impact	Parameters	Sensitivity scale	Impact
To the lead/zinc price	USD 1,966	USD(100)	(8.3)	USD2,530	USD100	(0.2)	N/A	N/A	N/A
To the euro/US dollar exchange rate	€/$ rate: 1.16	€/$ rate: 0.05	(16.8)	€/$ rate: 1.18	€/$ rate: (0.05)	(0.3)	N/A	N/A	N/A
To the discount rate	11.3%	0.5%	(1.8)	12.2%	0.5%	(0.1)	11.9%	0.5%	(0.4)
To furnace availabilit y rate	86%	(1.0)%	(4.8)						
To the normal EBITDA margin				1.8%	(1.0)%	(2.7)	8.5%	(1.0)%	(1.1)

For the Weser-Metall GmbH CGU, the total impairment loss recognized on the balance sheet would be increased by:

[29] *Value used for the calculation of terminal value relative to the final forecasting period*

- €8.3 million with a lead price that was USD100 lower
- €16.8 million with a euro/US dollar exchange rate that was 0.05 higher
- €1.8 million with a 0.5-point increase in the discount rate
- €4.8 million with a 1.0-point decrease in the furnace availability rate

For the Norzinco GmbH CGU, the total impairment loss recognized on the balance sheet would be increased by:
- €0.2 million with a lead price that was USD100 higher
- €0.3 million with a euro/US dollar exchange rate that was 0.05 lower
- €0.1 million with a 0.5-point increase in the discount rate
- €2.7 million with an EBITDA margin that was one-point lower

For the PPM Pure Metals GmbH CGU, the total impairment loss recognized on the balance sheet would be increased by:
- €0.4 million with a 0.5-point increase in the discount rate
- €1.1 million with an EBITDA margin that was one-point lower

NOTE 6 - NON-CURRENT FINANCIAL ASSETS

The Group believes that the amortized cost of non-current financial assets represents a reasonable estimate of their fair value. The Group's non-current financial assets can be broken down as follows:

In thousands of euros	***12/31/2018***	***12/31/2017***
Investments in non-consolidated companies	93,636	93,636
Amounts due from investee companies	150,608	150,608
Loans and guarantees	463	399
Other financial assets	125	125
Financial assets before impairment	244,832	244,768
Impairment	(244,780)	(244,710)
Non-current financial assets	**52**	**58**

Investments in non-consolidated companies consist of companies that are over 50%-owned by the Group. They are presented in the following table:

In thousands of euros	***Registered offices***	***Net carrying amount of securities at 12/31/2018***	***Net carrying amount of securities at 12/31/2017***
Metaleurop Nord SAS	Paris	59,510	59,510
Metaleurop International Finance	Amsterdam	253	253
Peñarroya Espagne	Cartagena	33,872	33,872
Peñarroya Utah	Utah (United States)	1	1
Investments in non-consolidated companies, gross		93,636	93,636
Impairment losses		(93,636)	(93,636)
Investments in non-consolidated companies, net		**-**	**-**

Metaleurop Nord SAS and Peñarroya Espagne are in court-ordered liquidation, and were not consolidated at December 31, 2018 in accordance with IFRS 10. B37. The corresponding investments were written off in full. Amounts due from these investments amounting €150,608,000 have also been written off in full.

NOTE 7 - OTHER NON-CURRENT ASSETS AND INVESTMENTS IN ASSOCIATES

Other non-current assets

Other non-current financial assets (€2,821,000) mainly comprise the outstanding balance of the €5 million in funds initially received by Harz-Metall GmbH following the settlement agreement reached with TUI AG in 2009. These funds are intended for the future remediation of certain Group sites in Germany (see Notes 14 and 38), the cost of which has been provided for.

Investments in associates

In thousands of euros	***Net***
Net carrying amount after depreciation and impairment losses at December 31, 2017	**14,286**
Dividend payments	(10,400)
Income for the period	9,510
Others including currency effects	2
Net carrying amount after depreciation and impairment losses at December 31, 2018	**13,398**

Assets and liabilities attributable to associate undertakings break down as follows (data for 100%):

In thousands of euros	***12/31/2018***	***12/31/2017***
Property, plant and equipment	9,015	7,027
Intangible assets	109	188
Financial assets	280	233
Deferred tax assets	201	201
Inventories	1,037	876
Trade receivables	6,999	8,488
Other current assets including current income tax assets	1,028	1,501
Cash and cash equivalents	13,414	19,623
Total assets	**32,083**	**38,137**
Equity	26,807	28,589
Provisions	23	-
Trade payables	2,709	2,625
Other current liabilities including liabilities due	2,544	6,923
Total liabilities	**32,083**	**38,137**

Income from associate undertakings breaks down as follows (data for 100%):

In thousands of euros	***12/31/2018***	***12/31/2017***
Sales of goods and services	50,624	52,499
Recurring operating expense	(21,807)	(21,299)
Operating income	**28,817**	**31,200**
Net financial income	(14)	11
Income taxes	(9,784)	(10,095)
Net income	**19,019**	**21,116**

NOTE 8 - INVENTORIES

Inventories held by the Group break down as follows:

In thousands of euros	***12/31/2018***	***12/31/2017***
Raw materials	18,704	19,135
Work in progress	14,813	20,673
Finished and semi-finished goods	10,907	9,342
Sub-total	44,424	49,150
Less: Impairment losses	(2,168)	(1,713)
Inventories and work in progress, net	**42,256**	**47,437**

The reduction in the value of inventories is primarily a result of the decline in lead volumes (in-process inventories) at the Nordenham smelter and the fall in the price of raw materials.

NOTE 9 - TRADE RECEIVABLES

Trade receivables break down as follows:

In thousands of euros	***12/31/2018***	***12/31/2017***
Trade receivables (1)	24,563	34,607
Impairment	(3,456)	(3,442)
Trade receivables, net	**21,107**	**31,165**

(1) At December 31, 2018, only receivables not yet due on the balance sheet date under recourse factoring agreements were recognized as trade receivables in accordance with IFRS 9. The amount derecognized, corresponding to non-recourse factoring agreements, was €24,553,000. At December 31, 2017, the amount derecognized corresponding to non-recourse factoring agreements was €21,906,000.

The decrease in trade receivables mainly reflected a volume effect (lower business levels in the Lead segment) along with a price effect (lower raw materials prices).

Trade receivables do not bear interest and are generally payable in 0 to 60 days.

NOTE 10 - OTHER CURRENT ASSETS

Other current assets break down as follows:

In thousands of euros	***12/31/2018***	***12/31/2017***
Advances and downpayments on orders in progress (1)	1,819	1,987
Social security receivables	117	57
Tax receivables	2,953	3,902
Other receivables (2)	4,932	3,846
Prepaid expenses	393	308
Total other current assets	**10,214**	**10,100**

(1) Advances and downpayments concern mainly down payments made to suppliers of raw materials.
(2) Other receivables chiefly reflect €3.2 million in guarantees for notifications on cross-border shipments.

NOTE 11 - CASH AND CASH EQUIVALENTS

The Group’s cash and cash equivalents comprise:

In thousands of euros	***12/31/2018***	***12/31/2017***
Cash at bank and in hand	5,935	5,283
Other marketable securities	417	263
Cash held on the balance sheet, gross	**6,352**	**5,546**
Bank overdraft facilities	13,800	15,000
Total cash on cash flow statement, net	**(7,448)**	**(9,454)**

Short-term bank borrowings concern primarily Recylex GmbH, which has used its credit lines to finance businesses in Germany. At December 31, 2018, the Group no longer held any undrawn available credit lines for which drawdown conditions were satisfied. Its available credit lines were reduced from €15 million in 2017 to €13.8 million in the fourth quarter of 2018 following a reduction in current assets (inventories and trade receivables) used as collateral for the credit line.
Changes in the cash position of the Recylex SA parent company and of the Group are presented in Note 32 on liquidity risk and Note 1 on the Group’s cash position.

NOTE 12 - SHARE CAPITAL

Share capital and premiums

The share capital amounted to €9,577,998 and comprised 25,886,482 fully paid-up shares with par value of €0.37 each at December 31, 2018.

At its meeting on June 5, 2018, the Board formally recorded the completion of an increase in the Company's share capital by a nominal amount of €91,390, lifting it from €9,435,178 to €9,526,568 (made up of 25,747,482 fully paid-up shares belonging to the same class each with par value of €0.37) through the issue of 247,000 new ordinary shares given (i) the exercise between January 1, 2018 and June 5, 2018 of 150,000 share subscription warrants in connection with the equity line, and (ii) the issue of 97,000 new shares between January 1, 2018 and June 5, 2018 through the exercise of stock options.

At its meeting on September 28, 2018, the Board formally recorded the completion of an increase in the Company's share capital by a nominal amount of €51,430, lifting it from €9,526,568 to €9,577,998 (made up of 25,886,482 fully paid-up shares belonging to the same class each with par value of €0.37) through the issue of 139,000 new ordinary shares given (i) the exercise between June 6, 2018 and September 26, 2018 of 100,000 share subscription warrants in connection with the equity line, and (ii) the issue of 39,000 new shares between June 6, 2018 and September 26, 2018 through the exercise of stock options.

Ordinary shares in issue and fully paid-up	***Number of shares outstanding***	***Par value*** *(in euros)*	***Share capital*** *In thousands of euros*	***Share premiums*** *In thousands of euros*
At January 1, 2018	**25,500,482**	**0.37**	**9,435**	**7,103**
Issue of new shares	250,000	0.37	93	2,405
Issue of options	136,000	0.37	50	725
At December 31, 2018	**25,886,482**	**0.37**	**9,578**	**10,233**

Equity line

Drawings in FY 2018 on the equity line arranged with Kepler Cheuvreux in December 2016 generated net cash flow of €2.5 million through the issue of 250,000 new shares in 2018.

Recylex SA's objective was to increase coverage of the cash requirements arising from its ongoing operations by being able to raise small amounts of funds on a regular basis, through a facility that is flexible and cost-effective and results in limited dilution for shareholders.
In accordance with the agreement signed, Kepler Cheuvreux SA undertook to subscribe up to 2,400,000 shares, on its own initiative, over a period of up to 30 months, through multiple drawings, provided that the contractual terms are met. The shares were to be issued based on the weighted average prices of the shares prior to each issue, less a discount not exceeding 6.5%. At December 31, 2018, 910,000 warrants remained outstanding, but they became null and void since the equity line had reached its expiration date.

Assuming that the equity line had been used in full, a shareholder owning 1% of Recylex SA's capital before the equity line was set up on December 29, 2016 would have seen its stake fall to 0.91% on a non-diluted basis.

Treasury shares

At December 31, 2018, Recylex SA owned 23,939 treasury shares. These treasury shares were bought by the Company between September 2000 and June 2001 as part of a share buy-back program authorized by shareholders at the March 30, 2000 Shareholders' Meeting. Their average purchase price was €6.81. Treasury shares are deducted from equity.

	12/31/2018	12/31/2017
Number of treasury shares	23,939	23,939
Value of treasury shares - In thousands of euros	141	163

The net value of treasury shares at December 31, 2018 stood at €141,000.

Stock options

On September 26, 2008, Recylex SA's Board of Directors granted stock options under the authorization given by the Shareholders' Meeting of July 28, 2006. The options granted are equity-settled share-based payment transactions within the meaning of IFRS 2. The main characteristics of the stock option plan in force until September 26, 2018 are as follows:

Date of stock option grant by the Board of Directors	***09/26/2008***
Number of options granted	540,000
Subscription price (in euros)	5.70
Vesting period	4-5 years
Life of options	10 years

At December 31, 2018, there were no more stock options in force carrying entitlement to new shares, since the plan reached its expiration date on September 26, 2018.

Date of grant	Number of options outstanding at 12/31/2017	Number of options canceled during the period	Number of options exercised during the period	Number of options lapsing during the period	Number of options outstanding at 12/31/2018	Exercise price (in euros)	Plan expiration date
09/26/2008	265,500	-	136,000	129,500	-	5.70	09/26/2018
Total	**265,500**	**-**	**136,000**	**129,500**	**-**	**5.70**	

NOTE 13 - INTEREST-BEARING BORROWINGS

Analysis of borrowings

a) Current portion of borrowings and other financial liabilities

In thousands of euros	***12/31/2018***	***12/31/2017***
Portion due in less than one year	73,545	22,070
Leasing liabilities	-	255
Commitment to buy out minority shareholders	-	-
Total	**73,545**	**22,325**

The portion due in less than one year at December 31, 2018, largely consists of:

- €13,800,000 in bank overdraft facilities compared to €15,000,000 at December 31, 2017 (see Note 11)
- €59,635,000 in borrowings from financial partners, reclassified as current at December 31, 2018

Following the German sub-group's failure to meet its performance target at December 31, 2018 as stipulated in the financing agreement entered into in December 2016 and revised in September 2018, and in view of the discussions underway at the end of the financial year, the financial partners temporarily agreed not to exercise their early cancellation rights and to postpone the repayments that fell due on December 31, 2018.
Since the Group did not possess at December 31, 2018 an unconditional right to defer repayments beyond 12 months, the full amount repayable, initially over more than one year, to its financial partners was reclassified under current borrowings, as provided for in IAS 1.

b) Non-current financial liabilities

In thousands of euros	***12/31/2018***	***12/31/2017***
Portion due in more than one year	16,000	42,214
Leasing liabilities	-	-
Total	**16,000**	**42,214**

At December 31, 2018, non-current borrowings include the €16 million loan arranged by Recylex SA in 2014 with Glencore International AG, repayment of which has been postponed until 2024.

c) Reconciliation of the change in borrowings to the cash flow statement

In thousands of euros	12/31/2017	New issues	Repayments	Change in bank overdraft facilities	Reclassifications	12/31/2018
Current borrowings	6,960	-	(960)	-	53,635	59,635
Non-current borrowings	42,214	31,421	(4,000)	-	(53,635)	16,000
Leases	255	-	(255)	-	-	-
Short-term bank borrowings	15,000	-	-	(1,200)	-	13,800
Accrued interest	110	-	-	-	-	110
Total interest-bearing borrowings	**64,539**	**31,421**	**(5,215)**	**(1,200)**	**-**	**89,545**
Of which current	22,325	-	(1,215)	(1,200)	53,635	73,545
Of which non-current	42,214	31,421	(4,000)	-	(53,635)	16,000

At December 31, 2018, the Group had drawn down €31.4 million, including €15.4 million on the new bank borrowings arranged in December 2016 to finance investments by the German subsidiaries and €16 million on the loan facility provided by Glencore International AG as part of the December 2016 global financing agreement.

During 2018, the Group repaid €4.96 million of these borrowings.
Borrowings arranged with Glencore International AG amount to €32 million, among which €16 million at the level of Recylex S.A. have to be refinanced in 2024, and €16 million at the level of the German sub-group are subordinated to the repayment of the existing bank borrowings.

Repayment schedules of borrowings

The table below shows the debt repayment schedule, based on the initial maturity dates of the bank financing concluded in 2016 with the financial partners of the German sub-group:

In thousands of euros	***12/31/2018***			***12/31/2017***
	One to five years	***Over five years***	***Total***	
Bank borrowings	55,913	33,632	89,545	42,214
Lease liabilities	-	-	-	-
Interest-bearing borrowings	**55,913**	**33,632**	**89,545**	**42,214**

NOTE 14 - PROVISIONS

Current and non-current provisions can be analyzed as follows:

a) Provisions at December 31, 2018 and December 31, 2017

In thousands of euros	***12/31/2018***	***12/31/2017***
Current provisions		
Environmental provisions	5,314	5,385
Litigation (1)	-	4,830
Restructuring	-	-
Other risks and charges	97	95
Sub-total	**5,411**	**10,310**

Non-current provisions		
Environmental provisions	16,688	18,768
Litigation (1)	4,041	-
Restructuring	5	8
Other risks and charges	92	20
Sub-total	**20,826**	**18,796**
Total provisions	**26,237**	**29,106**

(1) Provisions for litigation covering the claims for damages for the prejudice of anxiety lodged by 546 former employees of Metaleurop Nord SAS (see Note 1 (i) b)). These provisions were reclassified under non-current provisions at December 31, 2018 given developments in the legal proceedings.

Environmental provisions are presented in detail in Note 38 and provisions for litigation in Note 1.

b) Changes in provisions during 2018

In thousands of euros	**Balance at 12/31/2017**	*Charges for the period*	*Discounting*	*Reclassifications*	*Reversal of provisions used*	*Reversal of provisions not used*	**Balance at 12/31/2018**
Environmental provisions (Note 38) (1)	24,153	2,496	81	-	(4,728)	-	22,002
Litigation (2)	4,830	-	-	-	-	(789)	4,041
Restructuring	8	-	-	-	-	(3)	5
Other risks and charges	115	74	-	2	-	(2)	189
Total provisions	**29,106**	**2,570**	**81**	**2**	**(4,728)**	**(794)**	**26,237**

(1) Environmental provisions were used principally for the rehabilitation of the Estaque site and the former mines in France. The discounting effect of €81,000 linked to the environmental provisions derives to a large extent from the change in discount rate assumptions.
(2) Following the rulings handed down by the Douai Appeal Court on June 29, 2018, rejecting the claims for damages for the prejudice of anxiety lodged by 97 former employees of Metaleurop Nord SAS (see Note 1 - Ongoing litigation), the Company reversed the corresponding €789,000 provision.

In accordance with IAS 37, these provisions have been discounted. Charges to environmental provisions for the year included provisions related to the remediation of the L'Estaque site (see Note 38).

NOTE 15 - PENSION AND POST-EMPLOYMENT OBLIGATIONS

Provisions for pension and other post-employment benefits break down into non-current and current portions as follows:

a) Provisions at December 31, 2018 and December 31, 2017

In thousands of euros	***12/31/2018***	***12/31/2017***
Post-employment benefits - Current obligations	2,040	2,139
Post-employment benefits - Non-current obligations	31,671	32,750
Post-employment benefit obligations	**33,711**	**34,889**

b) Changes in provisions during 2018

In thousands of euros	**Balance at 12/31/2017**	*Charges/Reversals*	*Actuarial gains and losses*	*Contribution to plan assets*	**Balance at 12/31/2018**
Post-employment benefit obligations - Pension liabilities	34,889	(1,067)	72	(183)	33,711

Defined benefit plans

Change in plan assets and liabilities

Changes in defined-benefit plan obligations by geographical area in 2018 and 2017 break down as follows.

FY 2018

In thousands of euros	Germany	France	Total
Change in benefit obligations			
Actuarial liability at 1/1/2018	38,383	461	38,843
Current service cost during the financial year	369	36	405
Interest cost	616	7	624
Actuarial losses/(gains)	25	45	70
Benefits paid	(1,949)	(81)	(2,030)
Actuarial liability at 12/31/18	**37,444**	**468**	**37,912**
Change in plan assets			
Plan assets at 01/01/2018	(3,956)	-	(3,956)
Interest income	(65)	-	(65)
Actuarial losses/(gains)	2	-	2
Contributions	(280)	-	(280)
Benefits paid	97	-	97
Plan assets at 12/31/2018	**(4,202)**	**-**	**(4,202)**
Liabilities recognized on the balance sheet	**33,242**	**468**	**33,711**
Of which due in less than 1 year	2,002	38	2,040

FY 2017

In thousands of euros	Germany	France	Total
Change in benefit obligations			
Actuarial liability at 01/01/2017	41,775	337	42,112
Current service cost during the financial year	426	23	450
Interest cost	637	5	642
Actuarial losses/(gains)	(2,416)	112	(2,304)
Benefits paid	(2,040)	(17)	(2,057)
Actuarial liability at 12/31/17	**38,383**	**461**	**38,843**
Change in plan assets			
Plan assets at 01/01/2017	(4,844)	-	(4,844)
Interest income	(75)	-	(75)
Actuarial losses/(gains)	751	-	751
Contributions	(288)	-	(288)
Benefits paid	500	-	500
Plan assets at 12/31/2017	**(3,956)**	**-**	**(3,956)**
Liabilities recognized on the balance sheet	**34,427**	**461**	**34,888**
Of which due in less than 1 year	2,060	79	2,139

The German plans are covered by assets. Assets consist of an insurance policy that covers part of the employer’s liability.

Estimated contributions paid in 2018 amount to approximately €280,000.

Annual benefit payments due between 2018 and 2023 amount to approximately €2,000,000. The total amount due in years after 2024 stands at around €51,000,000.

Analysis of actuarial gains and losses

In accordance with the revised IAS 19, actuarial gains and losses are recognized via a balancing entry to consolidated reserves under Other Comprehensive Income.

In thousands of euros	Germany	France	Total
Analysis of actuarial gains and losses in 2018			
Actuarial losses/(gains) resulting from changes in actuarial assumptions (in thousands of euros)	337	111	448
(in %)	1%	24%	1%
- *Demographic assumptions*	337	-	337
- *Financial assumptions*	-	111	111
Experience losses/(gains)	(312)	(66)	(378)
(in %)	(1)%	(12)%	(1)%
Actuarial losses/(gains) arising on obligations	25	45	70
Actuarial losses/(gains) generated on assets	2	-	2
Actuarial losses/(gains) over the period	**27**	**45**	**72**

Change in provisions

Amounts recognized on the balance sheet in 2018 and 2017 changed as follows:

FY 2018

In thousands of euros	Germany	France	Total
Provisions/assets at 1/1/2018	34,426	461	34,888
Net cost for the period	920	43	963
- *Current service cost during the financial year*	*369*	*36*	*405*
- *Interest cost*	*616*	*7*	*623*
- *Expected return on plan assets*	*(65)*	-	*(65)*
Other comprehensive income (actuarial gains and losses arising)	27	45	72
Benefits paid	(1,852)	(81)	(1,933)
Contributions paid by the employer	(280)	-	(280)
Provisions/assets at 12/31/18	**33,242**	**468**	**33,711**

FY 2017

In thousands of euros	Germany	France	Total
Provisions/assets at 01/01/2017	36,931	337	37,268
Net cost for the period	989	28	1,017
- *Current service cost during the financial year*	*426*	*23*	*450*
- *Interest cost*	*637*	*5*	*642*
- *Expected return on plan assets*	*(75)*	-	*(75)*
Other comprehensive income (actuarial gains and losses arising)	(1,665)	112	(1,553)
Benefits paid	(1,539)	(17)	(1,556)
Contributions paid by the employer	(288)	-	(288)
Provisions/assets at 12/31/17	**34,426**	**461**	**34,888**

History

The benefit obligation and plan assets at the end of the past five financial years are shown below:

Germany

In thousands of euros	*12/31/2014*	*12/31/2015*	*12/31/2016*	*12/31/2017*	*12/31/2018*
Total current value of benefit obligations at the end of the financial year	*43,748*	40,993	41,775	38,383	37,444
Fair value of plan assets at the end of the financial year	(4,921)	(4,564)	(4,844)	(3,956)	(4,202)
Coverage of benefit obligations	**38,827**	**36,429**	**36,931**	**34,426**	**33,242**

France

In thousands of euros	*12/31/2014*	*12/31/2015*	*12/31/2016*	*12/31/2017*	*12/31/2018*
Total current value of benefit obligations at the end of the financial year	460	397	337	461	468
Market value of plan assets at the end of the financial year	-	-	-	-	-
Coverage of benefit obligations	**460**	**397**	**337**	**461**	**468**

Actuarial assumptions

The assumptions underpinning measurements at the 2017 and 2018 balance sheet dates are presented below:

	Germany		France	
In thousands of euros	***12/31/2018***	***12/31/2017***	***12/31/2018***	***12/31/2017***
Discount rate	1.65%	1.65%	1.65%	1.65%
Salary growth rate	2.25%	2.25%	2.00%	2.00%
Pension growth rate	2.00%	2.00%	n/a	n/a

Sensitivity of benefit obligations

The change in benefit obligations is materially influenced by the discount rate and salary and pension growth rates assumed for each geographical area or country. The following tables present a study of the sensitivity of actuarial obligations to changes in the discount rate, rate of salary growth and rate of pension growth:

- Discount rate

In thousands of euros	**+0.25%**	**(0.25)%**	**+1%**	**(1)%**
Actuarial liability	(1,243)	1,318	(4,576)	5,794
Charge	61	(54)	203	(263)

- Other sensitivities calculated for the obligation

In thousands of euros	**+0.25%**	**(0.25)%**
Rate of salary increase	62	(60)
Rate of pension increase	1,010	(967)

Employees and duration

The average durations of the main plans and the number of employees covered by them were as follows at December 31, 2018:

In thousands of euros	**Germany**	**France**	**Total**
Active	391	70	461
Deferred	109	-	109
Retired	568	1	569
Total employees	**1,068**	**71**	**1,139**
Average duration	**14**	**12**	**14**

Defined contribution plans

The Group's obligation is limited to the contributions paid, which are expensed as incurred. The contributions expensed under the Company's own plans (excluding statutory and social security-type plans) amounted to €88,400 for 2018, paid by C2P SAS and Recylex SA. Since FMM SA in Belgium no longer has any employees, it does not make any more contributions. The contributions expensed in prior years for the supplementary pensions break down as follows:

Year	Contribution
	In thousands of euros
2018	88.4
2017	64.5
2016	55.3
2015	47.8
2014	50.6

NOTE 16 - TRADE PAYABLES

The Group's trade payables break down as follows:

In thousands of euros	***12/31/2018***	***12/31/2017***
Trade payables	33,080	31,926
Total	**33,080**	**31,926**

Trade payables do not bear interest and are generally payable within 0 to 60 days.

NOTE 17 - OTHER CURRENT LIABILITIES

Other current liabilities break down as follows:

In thousands of euros	***12/31/2018***	***12/31/2017***
Tax and employee-related liabilities	6,535	6,261
Liabilities related to non-current assets	-	60
Other liabilities	3,602	3,107
Prepaid income	-	-
Total	**10,137**	**9,428**

NOTE 18 - OTHER NON-CURRENT LIABILITIES

Other non-current liabilities break down as follows:

Non-current rescheduled liabilities (by maturity)	***12/31/2018***			***12/31/2017***
In thousands of euros	***One to five years***	***Over five years***	***Total***	***Total***
Non-current rescheduled liabilities after discounting[1]	-	4,781	4,781	4,696
Clawback clause	-	3,332	3,332	3,545
European Commission fine	3,438	21,448	24,886	25,405
Total	**3,438**	**29,561**	**32,999**	**33,646**

[1] *Amount owed to Glencore International AG, the repayment date for which has been postponed until 2026.*

18.1 OTHER FINANCIAL LIABILITIES - CLAWBACK CLAUSE (OPTION 1 OF THE CONTINUATION PLAN)

The Company's continuation plan, approved by the Paris Commercial Court on November 24, 2005, stipulates that creditors electing for option 1 of the continuation plan, which entails the abandonment of 50% of their claim (see section 18.1 of this note), will benefit from a clawback clause provided that (i) they informed the Company by registered letter within six months of the judgment approving the plan and that (ii) the plan was not reformulated prior to its expiry (on November 24, 2015). This clause provides, under the conditions mentioned above, that from and including December 31, 2015, Recylex SA will allocate 20% of its cash at December 31 of each subsequent financial year to repayment of the waived debt on a pari passu basis between the creditors, with no limit on the duration of such repayments. Three creditors requested the benefit of the clawback clause within the specified timeframe, and the total amount of debt covered by the clause amounts to €19,210,000.

On December 15, 2015, the Paris Commercial Court confirmed that Recylex SA's continuation plan had been completed. Since December 31, 2010, the Group has recognized the debt relating to the clawback clause. The fair value of the liabilities under the clawback clause corresponds to the discounted present value of probable future repayments under the clause. One of the main components of future cash flows is the price of lead. The volatility of metal prices and the difficulty in predicting trends in both prices and the economic outlook makes all medium-term and long-term forecasting extremely

difficult. As a result, the Company has adopted a multi scenario model to determine the value of liabilities under the clawback clause. Starting from the assumption that trends in lead prices follow a normal distribution, a large number of scenarios for lead prices were modeled.
Given the limited variation in the Business Plan and, crucially, the low level of variation in normalized cash flows, the Company has decided to carry out a full valuation of the fair value of liabilities under the clawback clause using a multi-scenario model only once every two years. In the intervening years, the fair value of liabilities under the clawback clause is adjusted only for time effects relating to the shortening of the period before payments fall due.

Probable repayments under the clawback clause from December 31, 2018 have been calculated on the basis of the Business Plan drawn up by the Company and normalized cash flows thereafter. The fair value of this clawback clause is recognized under Other non-current liabilities (see Note 27) on the balance sheet. At December 31, 2018, the Group carried out a further full valuation of the clawback clause, which came to €3.4 million.

18.2 EUROPEAN COMMISSION FINE

On February 8, 2017, the European Commission fined Recylex SA and its subsidiaries €26.7 million for anti-competitive practices in the purchasing of scrap car batteries (Note 1). That amount was fully provisioned in Recylex SA's financial statements.
A staggered payment plan was agreed for the fine under which Recylex SA (Group's parent company) will assume responsibility for paying the fine, and a large portion of it will be deferred over the medium to long term. Under that agreement, Recylex SA is paying the fine (principal and interest) according to the timetable set out in the staggered payment plan.

NOTE 19 - OPERATING SEGMENTS

Operating segment information

The Group's management has defined operating segments on the basis of the internal reporting examined regularly by management in order to make decisions allocating resources to segments and evaluate their performance.
The Group has five main operating segments:

- the **Lead** segment, consisting of the battery crushing activities in France (Recylex SA) and Germany (Harz-Metall GmbH), and the primary smelting activities (Weser-Metall GmbH smelter in Germany)
- the **Zinc** segment, consisting of electric arc furnace dust recycling (Waelz oxide production at the Harz-Metall GmbH plant in Germany and the Recytech plant in France) and recycling of zinc-bearing waste (production of zinc oxide by Norzinco GmbH in Germany)
- the **Special Metals** segment, consisting of the custom production of very high-purity metals by PPM Pure Metals GmbH
- the **Plastics** segment, combining the activities of C2P SAS in France and C2P GmbH in Germany (recycling of plastic materials)
- the **Other businesses** segment, consisting of the holding company activities of parent company Recylex SA, the activities of the Group's other commercial and administrative entities and activities related to the remediation of the former industrial and mining sites in France and Germany.

Performance indicators

The information presented is based on internal reporting used by management to assess the performance of the various segments. The key financial performance indicators used are operating income before non-recurring items and **EBITDA** (operating income before non-recurring items and before charges to and reversals from amortization, depreciation, provisions, and impairment losses).

When assessing the performance of its **Lead** operating segment, in its internal reporting the Group uses the **LIFO** (**Last In First Out**) method to measure inventories at its main smelter in Germany (Nordenham). At this plant, the Recylex Group holds lead inventories in the form of raw materials, semi-finished goods and finished goods. These inventories are critical for the smooth operation of the plant. They are turned over continuously and remain relatively stable in volume. The measurement of the aforementioned inventories at Nordenham using the average weighted cost (AWC)[30] method introduces an economic factor that—because of the high volatility of lead prices—may make it hard to assess the performance of the plant, and therefore of the Group's Lead operating segment.

[30] *IAS 2 requires inventories to be measured using the average weighted cost (AWC) method or the first in, first out (FIFO) method.*

As a result, in its internal reporting, the Recylex Group analyzes its Lead operating segment using the LIFO method to measure inventories at the Nordenham smelter, and reconciles this data with financial statements prepared in accordance with IFRS, in which the AWC method is used.

In addition, the Group decided to continue using proportionate consolidation for Recytech SA in the presentation of the Zinc segment's income statement in line with the data used in its internal reporting per segment. Segment balance sheet information is presented in accordance with the changes introduced by IFRS 10 and 11.
The tables below set out, for each operating segment, revenue, **operating income before non-recurring items** using the LIFO method, **EBITDA** using the LIFO method, the reconciliation between the two valuation methods and **operating income before non-recurring items** and **EBITDA** in accordance with IFRS (IFRS operating income before non-recurring items).
Each column of the table below contains figures specific to each segment, which is analyzed as an independent entity. The Eliminations column shows eliminations of intragroup transactions, so segment data can be reconciled with the Group's financial statements.
All inter-segment commercial relationships are conducted on a market basis, on identical terms and conditions to those prevailing for the provision of goods and services to external customers.

Financial year ended December 31, 2018

In thousands of euros	***Lead***	***Zinc***	***Special Metals***	***Plastics***	***Other businesses***	***Elimina tions***	***Total***
Sales to external customers…………	236,179	96,307	19,173	12,881	35		364,575
Inter-segment sales…………	4,929	919	100	2,761		(8,709)	-
Total sales (IFRS)	**241,108**	**97,226**	**19,273**	**15,642**	**35**	**(8,709)**	**364,575**
Restatement following application of IFRS 10 & 11		25,312					25,312
Total sales restated under IFRS 10 & 11	**241,108**	**122,538**	**19,273**	**15,642**	**35**	**(8,709)**	**389,887**
EBITDA (IFRS)	**(19,788)**	**14,965**	**520**	**(267)**	**(7,491)**		**(12,061)**
Restatement following adoption of IFRS 10 & 11		15,296					15,296
AWC - LIFO adjustment	235						235
EBITDA restated for LIFO and IFRS 10 & 11	**(19,553)**	**30,261**	**520**	**(267)**	**(7,491)**		**3,470**
Depreciation, amortization, charges to/(reversals from) provisions and impairment losses (LIFO)	(4,557)	(3,246)	(351)	(482)	181		(8,455)
Restatement following adoption of IFRS 10 & 11	(25)	(888)					(913)
Operating income before non-recurring items restated for LIFO and IFRS 10 & 11	**(24,135)**	**26,127**	**169**	**(749)**	**(7,310)**		**(5,898)**
LIFO - AWC adjustment	(210)						(210)
Restatement following adoption of IFRS 10 & 11		(14,409)					(14,409)
Operating income before non-recurring items (IFRS)	**(24,345)**	**11,718**	**169**	**(749)**	**(7,310)**		**(20,517)**
Other non-recurring operating income/(expense)							(44,654)
Net financial income							(11,390)
Income tax benefit/(expense)……………..							(11,662)
Share in income of associates							9,510
Net income for the period (IFRS)							**(78,713)**

Main balance-sheet items In thousands of euros	**Lead**	**Zinc**	**Special Metals**	**Plastics**	**Other businesses**	**Total**
Intangible assets	231	4	-	-	1	236
Property, plant and equipment	31,629	12,481	1,291	2,461	2,526	50,388
Inventories[31]	20,312	12,449	7,430	2,065	-	42,256
Trade receivables	14,548	3,228	1,342	1,954	35	21,107
Total segment assets	**66,720**	**28,162**	**10,063**	**6,481**	**2,562**	**113,987**
Provisions and pension liabilities	19,786	4,372	3,100	287	32,403	59,948
Trade payables.......................................	20,877	4,459	1,531	655	2,057	29,579
Other current liabilities	3,971	1,855	781	410	3,120	10,137
Total segment liabilities	**44,634**	**10,686**	**5,412**	**1,352**	**37,580**	**99,664**
Investments in property, plant and equipment...	18,444	3,457	1,446	473	11	23,831
Investments in intangible assets	248	1	37	-	-	286
Segment capital expenditures	**18,692**	**3,458**	**1,483**	**473**	**11**	**24,117**
Property, plant and equipment	(4,247)	(2,346)	(366)	(420)	(91)	(7,470)
Intangible assets	(82)	(1)	(37)	-	-	(120)
Other non-cash income and expenses....	(41,875)	(969)	120	(118)	(649)	(43,761)
Depreciation, amortization and charges to provisions	**(46,204)**	**(3,316)**	**(283)**	**(538)**	**(740)**	**(51,351)**

Financial year ended December 31, 2017

In thousands of euros	***Lead***	***Zinc***	***Special Metals***	***Plastics***	***Other businesses***	***Eliminations***	***Total***
Sales to external customers…………	324,109	98,345	14,241	13,600			450,295
Inter-segment sales…………	4,946	1,037	139	2,287		(8,408)	-
Total sales (IFRS)	**329,055**	**99,382**	**14,379**	**15,888**		**(8,408)**	**450,295**
Restatement following application of IFRS 10 & 11		26,250					26,250
Total sales restated under IFRS 10 & 11	**329,055**	**125,631**	**14,379**	**15,888**		**(8,408)**	**476,545**
EBITDA (IFRS)	**12,225**	**19,281**	**(2,043)**	**518**	**(7,029)**		**22,950**
Restatement following adoption of IFRS 10 & 11		16,661					16,661
AWC - LIFO adjustment	30						30
EBITDA restated for LIFO and IFRS 10 & 11	**12,255**	**35,942**	**(2,043)**	**518**	**(7,029)**		**39,641**
Depreciation, amortization, charges to/(reversals from) provisions and impairment losses (LIFO)	(4,907)	(2,914)	159	(404)	(317)		(8,383)
Restatement following adoption of IFRS 10 & 11		(804)					(804)
Operating income before non-recurring items restated for LIFO and IFRS 10 & 11	**7,348**	**32,224**	**(1,884)**	**113**	**(7,346)**		**30,454**
LIFO - AWC adjustment	(30)						(30)
Restatement following adoption of IFRS 10 & 11		(15,857)					(15,857)
Operating income before non-recurring items (IFRS)	**7,318**	**16,367**	**(1,884)**	**113**	**(7,346)**		**14,567**
Other non-recurring operating income/(expense)							1,582
Net financial income							(9,966)
Income tax benefit/(expense)……………..							1,248
Share in income of associates							10,558
Net income for the period (IFRS)							**17,989**

[31] *Inventories in the Lead segment, measured using the LIFO method, totaled €20,077,000 at December 31, 2018 versus €20,312,000 under IFRS (AWC).*

Main balance-sheet items In thousands of euros	Lead	Zinc	Special Metals	Plastics	Other businesses	Total
Intangible assets	62	2	-	-	1	66
Property, plant and equipment	59,302	11,993	392	2,680	2,559	76,926
Inventories[32]	27,562	10,824	7,026	2,024	-	47,437
Trade receivables	17,385	10,165	1,328	2,272	15	31,165
Total segment assets	**104,312**	**32,985**	**8,746**	**6,976**	**2,575**	**155,594**
Provisions and pension liabilities	20,755	4,298	3,313	203	35,427	63,995
Trade payables...................................	19,354	8,651	1,243	774	1,905	31,926
Other current liabilities	3,261	2,018	788	500	2,860	9,428
Total segment liabilities	**43,370**	**14,966**	**5,344**	**1,477**	**40,192**	**105,349**
Investments in property, plant and equipment..	32,830	4,744	217	383	3	38,177
Investments in intangible assets	53	4	-	-	1	58
Segment capital expenditures	**32,883**	**4,748**	**217**	**383**	**4**	**38,235**
Property, plant and equipment	(3,993)	(2,596)	(578)	(484)	(108)	(7,759)
Intangible assets	(42)	(2)	(132)	-	-	(175)
Other non-cash income and expenses	2,117	(1,001)	377	(18)	(117)	1,358
Depreciation, amortization and charges to provisions	**(1,918)**	**(3,599)**	**(332)**	**(502)**	**(225)**	**(6,576)**

Geographical zones

The following line items have been analyzed by component:

- sales are broken down by customer marketing area,
- capital expenditures and assets are broken down according to the countries in which consolidated companies are based.

In accordance with IFRS 8, non-current assets broken down by geographical zone are non-current assets other than financial instruments, deferred tax assets and surplus pension plan assets.

Financial year ended December 31, 2018

Sales In thousands of euros	***Western Europe***	***Rest of Europe***	***Americas***	***Rest of the world***	***Total***
Total sales…….	321,435	35,443	1,532	6,165	364,575

In thousands of euros	***France***	***Germany***	***Belgium***	***Total***
Investments in property, plant and equipment.........	1,437	22,394	-	23,831
Investments in intangible assets	10	276	-	286

Financial year ended December 31, 2017:

Sales In thousands of euros	***Western Europe***	***Rest of Europe***	***Americas***	***Rest of the world***	***Total***
Total sales…….	382,749	61,537	1,298	4,711	450,295

In thousands of euros	***France***	***Germany***	***Belgium***	***Total***
Investments in property, plant and equipment.........	1,270	36,907	-	38,177
Investments in intangible assets	-	58	-	58

[32] *Inventories in the Lead segment, measured using the LIFO method, totaled €27,594,000 at December 31, 2017 versus €27,562,000 under IFRS (AWC).*

Structure of sales

In 2018, 93% of sales in the Lead segment were made to nine customers.
In the Zinc segment, 26% of sales were generated by one customer.
Sales in the other operating segments come from a large number of customers.
In 2018, 62% of the Group's total consolidated sales were to ten customers. One of these customers accounted for 27% of the Group's total sales in 2018.

NOTE 20 - EXTERNAL COSTS

External costs break down as follows:

In thousands of euros	***12/31/2018***	***12/31/2017***
General sub-contracting	(13,700)	(12,602)
Maintenance and repairs	(13,237)	(9,979)
Insurance premiums	(1,693)	(1,606)
Goods transport, public transportation	(6,943)	(11,380)
Leasing, rental and service charges	(2,496)	(1,874)
Fees and external labor costs	(3,496)	(3,705)
Travel and entertainment expenses	(884)	(629)
Other external costs	(1,802)	(1,546)
Total external costs	**(44,251)**	**(43,321)**

NOTE 21 - STAFF COSTS

The average Group headcount on an FTE basis was as follows:

In thousands of euros	***12/31/2018***	***12/31/2017***
France	70	62
Germany	596	554
Total FTE employees	**666**	**616**

Staff costs break down as follows:

In thousands of euros	***12/31/2018***	***12/31/2017***
Wages and benefits	(42,267)	(35,620)
Employee and employer payroll charges	(10,387)	(9,273)
Total staff costs	**(52,654)**	**(44,893)**

The steep increase in staff costs reflects Weser-Metall GmbH's larger headcount following the commissioning of the new reduction furnace and the increase in the headcount at PPM Pure Metals GmbH to handle the strong business growth.

NOTE 22 - RESEARCH AND DEVELOPMENT COSTS

Research and development costs expensed directly in income amounted to:

In thousands of euros	***12/31/2018***	***12/31/2017***
Research and development costs	(394)	(456)

NOTE 23 - DEPRECIATION, AMORTIZATION, CHARGES TO/(REVERSALS FROM) PROVISIONS AND IMPAIRMENT LOSSES

Depreciation, amortization, charges to/(reversals from) provisions and impairment losses recognized in 2018 and 2017 break down as follows:

In thousands of euros	***12/31/2018***	***12/31/2017***
Depreciation of property, plant and equipment	(7,426)	(7,716)
Amortization of intangible assets	(120)	(176)
Charges to/(reversals from) provisions and impairment losses	(910)	(491)
Total	**(8,456)**	**(8,383)**

NOTE 24 - OTHER OPERATING INCOME AND EXPENSE

Other operating income and expense breaks down as follows:

In thousands of euros	**12/31/2018**	**12/31/2017**
Operating subsidies	103	318
Other income and expense	1,719	1,391
Total	**1,822**	**1,709**

NOTE 25 - NON-RECURRING OPERATING INCOME/(EXPENSE)

This item includes income and expense that is unusual in frequency, nature or amount.

In thousands of euros	***12/31/2018***	***12/31/2017***
Charges to/reversals of provisions and additional costs incurred at the L'Estaque plant, former mines and other closed sites[1]	(2,151)	(940)
Charges to/reversals of provisions for Labor Court rulings[2]	789	(598)
Impairment of assets at PPM Pure Metals GmbH[3]	-	(536)
Impairment/reversals of impairment of assets at Norzinco GmbH [3]............	-	(153)
Impairment/reversals of impairment of assets [3]...	(42,545)	2,300
Impairment of Recylex SA's financial guarantees	(70)	(70)
Net proceeds from the sale of FMM SA's land [4]……………………………...	-	1,250
Reversal of provisions linked to the closure of FMM SA's smelter	-	310
Other income and expenses[5]	(677)	19
Other non-recurring operating income/(expense)	**(44,654)**	**1,582**

1) See Note 14 and Note 38
2) See Note 14
3) See Note 5
4) Sale of FMM SA's industrial site in Belgium for €1.2 million
5) Other expense chiefly consists of €589,000 in advisors' fees related to financing for the Group.

NOTE 26 - NET INTEREST EXPENSE

Net interest expense breaks down as follows:

In thousands of euros	***12/31/2018***	***12/31/2017***
Interest income from cash and cash equivalents	49	37
Interest expense on bank and non-bank borrowings and bank overdrafts	(9,471)	(6,197)
Change in the fair value of interest rate swaps	(526)	-
Net interest expense	**(9,949)**	**(6,160)**

Interest expense increased owing to the use of credit lines in Germany and drawdowns on loans arranged to cover construction of the new reduction furnace in Nordenham.

NOTE 27 - OTHER FINANCIAL INCOME AND EXPENSE

In thousands of euros	***12/31/2018***	***12/31/2017***
Net foreign exchange gains and losses	285	(634)
Impact of discounting provisions and financial liabilities	(167)	530
Factoring costs	(1,240)	(1,327)
Total other financial income and expense	(320)	(2,375)
Other financial income and expense	**(1,442)**	**(3,806)**

The discounting of provisions and financial liabilities gave rise to €0.2 million in financial expense. To recap, the financial income recognized in 2017 in respect of discounting was chiefly attributable to the rescheduling of the financial liability vis-à-vis Glencore International AG.

Other financial income and expense chiefly consists of an expense in respect of the change in the fair value of commodity derivatives not designated as hedging instruments, as defined in IFRS 9 (Note 33).

The net foreign-exchange gain derived from fluctuations in the US dollar, as certain of the German subsidiaries' assets and liabilities are denominated in US dollars.

NOTE 28 - INCOME TAXES

Income tax expense for the financial years ended December 31, 2017 and December 31, 2018 principally comprises the following items:

In thousands of euros	***12/31/2018***	***12/31/2017***
Current income tax benefit/(expense)	23	(482)
Current income tax benefit/(expense)	**23**	**(482)**
Arising from the creation and reversal of temporary differences	(4,525)	345
Related to tax loss carryforwards	(7,160)	1,385
Deferred income tax benefit/(expense)	**(11,685)**	**1,730**
Consolidated income tax expense	**(11,662)**	**1,248**

The deferred tax charge relates to the deactivation of tax losses and the impairment of deferred tax assets on temporary differences for the German scope.

Reconciliation between actual tax and theoretical tax expense

In thousands of euros	***12/31/2018***	***12/31/2017***
Net income before tax and share in income of associates	(76,560)	6,189
Group tax rate	33.33%	33.33%
Theoretical tax charge	**25,518**	**(2,063)**
Increase or decrease in income tax expense resulting from:		
- use of unrecognized previous tax losses and non-recognition of tax loss carryforwards as assets	(10,304)	(335)
- derecognition of previous tax losses	(7,160)	-
- taxes at reduced rates	(2,358)	(45)
- unrecognized deferred tax	(16,496)	3,955
- other differences	(862)	(264)
Actual tax expense	**(11,662)**	**1,248**

Deferred tax assets and liabilities

In thousands of euros	***12/31/2018***	***12/31/2017***
Deferred tax assets		
Additional provision for employee benefits	1,907	6,164
Discounting of provisions and liabilities	-	36
Other temporary differences	-	612
Tax loss carryforwards	-	7,160
Offsetting of deferred tax assets and liabilities at the same taxable entity	(1,907)	(2,299)
Total	**-**	**11,673**
Deferred tax liabilities		
Restatement of expected useful life of non-current assets	(916)	(1,245)
Change in inventory measurement method at German units	(612)	(745)
Discounting of provisions and liabilities	(4)	-
Other temporary differences	(375)	(309)
Offsetting of deferred tax assets and liabilities at the same taxable entity	1,907	2,299
Total	-	-
Net deferred taxes	**-**	**11,673**

All the deferred tax assets arising from tax loss to carryforwards recognized by the Group as of December 31, 2017 in the amount of 7.2 million have been written off. They exclusively concerned the Group's German scope of consolidation. The recognition of these deferred tax assets on tax loss carryforwards was based on the Group's revised financial forecasts (see note 32.5), which led the Group to recognize a loss of €7.16 million of previously recognized tax loss carryforwards.
The Group holds tax losses that may be carried forward indefinitely against the future taxable income of companies that generated these losses.
These tax losses are as follows:

- €160 million for the French units
- €93 million with respect to corporate tax at the German subsidiaries
- €72 million with respect to trade tax at the German subsidiaries

As a result of these same financial forecasts, the Group also decided to write down deferred tax assets on temporary differences relating to entities in the German scope up to the amount of deferred tax liabilities, taking into account their foreseeable repayment schedule, which led the Group to recognize a deferred tax expense of 4.5 million in the income statement.

NOTE 29 - EARNINGS PER SHARE

The following table shows details of the earnings and numbers of shares used to calculate basic and diluted earnings per share for all operations.

<u>Earnings per share for all operations</u>

	12/31/2018	***12/31/2017***
Net income attributable to equity holders of the parent company (in thousands of euros)	(78,713)	17,989
Weighted average number of ordinary shares used to calculate basic earnings per share	25,989,005	24,854,124
Earnings per share in euros	**(3.03)**	**0.72**

	12/31/2018	***12/31/2017***
Net income attributable to equity holders of the parent (company in thousands of euros)	(78,713)	17,989
Weighted average number of ordinary shares used to calculate basic earnings per share	25,989,005	24,854,124
Impact of dilution:		
Weighted average number of stock options (with dilutive impact)	27,374	367,097
Weighted average number of ordinary shares adjusted for diluted earnings per share	26,016,379	25,221,221
Diluted earnings per share in euros	**(3.03)**	**0.71**

NOTE 30 - COMMITMENTS AND CONTINGENCIES

Commitments under operating leases

The Group has entered into operating leases covering certain vehicles, machinery and buildings. The minimum future rental payments due under these non-cancelable operating leases are as follows:

In thousands of euros	***12/31/2018***			***12/31/2017***		
	Less than one year	*More than one year but less than five years*	*Over five years*	*Less than one year*	*More than one year but less than five years*	*Over five years*
Buildings	120	-	-	245	113	-
Other	921	1,123	513	804	1,210	-
Total	**1,041**	**1,123**	**513**	**1,049**	**1,323**	**-**

Commitments under finance leases

The Group holds finance leases that are accounted for in accordance with IAS 17. The net carrying amount of property, plant and equipment held as assets under finance leases amounted to €790,000 at December 31, 2018 and €255,000 at December 31, 2017.

Future minimum payments under finance leases and leases with a purchase option can be reconciled with the present value of net future minimum lease payments as follows:

In thousands of euros	***12/31/2018***	***12/31/2017***
Minimum payments due in less than one year	254	255
Minimum payments due in more than one year but less than five years	536	-
Minimum payments due in more than five years	-	
Total minimum payments under finance leases	790	255
Amounts representing interest expense		
Present value of minimum payments under leases	**790**	**255**

Investment commitments

At December 31, 2018, the Group had made investment commitments amounting to €5.8 million in relation to the new lead reduction furnace at the Nordenham plant in Germany (see Note 1 - section on the Lead segment).

Commitments arising from forward purchases and sales

At December 31, 2018, the Group had no commitments arising from the forward sale or purchase of currencies.

Commitments given and received

At December 31, 2018, commitments given and received by Group companies were as follows:

Commitments given

a) In connection with the €67 million loan granted on December 29, 2016 to the Group's German subsidiaries (hereinafter the "Loan", see Note 1 to the consolidated financial statements for the year ended December 31, 2016):
   - To ensure the fulfillment of obligations under the Loan, the shares of Recylex GmbH, Harz-Metall GmbH and Weser-Metall GmbH were transferred to two *ad hoc* security trustees as part of a German-law security trust agreement, it being stipulated that beneficial ownership of the shares is retained by Recylex Group entities, which continue to exercise and enjoy their shareholder rights as long as the borrowers do not breach their obligations. From an accounting perspective, the arrangement does not cause the subsidiaries to be deconsolidated since, given the rights retained by the owners of the shares, they retain control over the transferred assets within the meaning of accounting regulations as long as the borrowers do not breach their obligations under the Loan agreement

- The pledge of Recylex GmbH shares to Recylex SA's former banking partners was transferred to Glencore International AG following the latter's purchase of bank debt on August 4, 2005, to guarantee the repayment of debt included in Recylex SA's continuation plan and due under the clawback clause provided for by that plan. However, as part of the creation of the aforementioned security trust arrangement aimed at ensuring compliance with obligations under the Loan, that pledge was suspended for the duration of the Loan.
- Recylex SA had granted a senior pledge of its shares in Recytech SA to Glencore International AG to guarantee repayment of the €16 million loan facility granted to it on October 1, 2014 (see Note 13). Given the aforementioned suspension of the pledge of Recylex GmbH shares on December 19, 2016, required to set up the security trust arrangement, Recylex SA granted a second-ranking charge over its shares in Recytech SA to Glencore International AG in order to guarantee Recylex SA's obligations with respect to the aforementioned clawback clause
- In line with the requirements for the award of the Loan, Recylex SA entered into:
    - An agreement pursuant to which it undertook for a period expiring one year after repayment in full of the amounts due in respect of the Loan, to cover the cost of any and all payment obligations arising for its German subsidiaries from the procedure before the European Commission concerning the scrap lead batteries sector (see Note 1 to the consolidated financial statements for the year ended December 31, 2018)
    - A loan agreement under which Recylex SA lent €10.7 million to Weser-Metall GmbH for the full term of the Loan, and
    - A receivables subordination agreement with Weser-Metall GmbH and the agent designated by the German banks under the Loan, subordinating the repayment of the aforementioned €10.7 million loan granted by Recylex SA to Weser-Metall GmbH to the prior repayment of all sums due under the Loan.
- Recylex GmbH, Harz-Metall GmbH, Weser-Metall GmbH, PPM Pure Metals GmbH, Norzinco GmbH, Recylex Grundstücksverwaltungs GmbH and C2P GmbH entered into agreements guaranteeing the repayment of the Loan granted to Recylex GmbH, Harz-Metall GmbH, Weser-Metall GmbH, PPM Pure Metals GmbH and Norzinco GmbH.
- Harz-Metall GmbH, Weser-Metall GmbH, PPM Pure Metals GmbH, Norzinco GmbH and C2P GmbH pledged the entirety of their inventories and their property, plant and equipment as collateral for the performance of the German subsidiaries' obligations under the Loan.
- Recylex GmbH, Harz-Metall GmbH, Weser-Metall GmbH, Norzinco GmbH, C2P GmbH, PPM Pure Metals GmbH and Recylex Grundstücksverwaltungs GmbH pledged their trade receivables not transferred under factoring agreements, and their property, plant and equipment as collateral for the performance of the Loan agreement.

b) Other commitments given:
- As part of Recytech SA's obligation to create a financial guarantee to cover the safety of its facilities and the treatment of waste materials on its site in the event of the discontinuation of its business, Recylex SA has undertaken, in the event of such discontinuation of business at Recytech SA, to take ownership of all electric arc furnace dust present on the latter's site and to bear the dust shipping and treatment charges.

Commitments received

- In accordance with the conditions for the award of the Loan to the Group's German subsidiaries on December 29, 2016, Glencore International AG gave commitments on October 19, 2016 to the Group's German subsidiaries to cover any overrun in the budget for Weser-Metall GmbH's new reduction furnace (of up to €10 million) and any specific cash requirements of these German subsidiaries (up to €25 million). At December 31, 2018, the full €25 million amount had been used by the German subsidiaries.

Litigation and contingent liabilities

For information about the main litigation and disputes in progress, see Note 1 (Ongoing litigation).

Recylex SA did not set aside any provisions in its financial statements at December 31, 2018 to cover the risks arising from the motion filed by SNCF Réseau to have Recylex SA and RETIA SASAU jointly ordered to pay the entire amount necessary for the "complete refurbishment" of the publicly owned rail assets in the L'Estaque rail section in Marseille.

Recylex regards this procedure as giving rise to a potential liability that does not satisfy the criterion for recognition under IAS 37 because:

- Recylex SA is challenging the legal basis for this motion and thus whether there are any constructive or legal obligations arising from this application

- There is no detailed documentation concerning this application enabling it to assess the probability of an outflow of financial resources.

The environmental contingent liabilities are disclosed in Note 38.

NOTE 31 - INFORMATION CONCERNING RELATED PARTIES AND BENEFITS GRANTED TO ADMINISTRATIVE AND MANAGEMENT BODIES

Information concerning related parties

In thousands of euros	*Expenses*		*Income*		*Assets*		*Liabilities*	
	2018	*2017*	*2018*	*2017*	*2018*	*2017*	*2018*	*2017*
Glencore International AG..........	36,881	96,238	29,872	55,095	3,263	2,694	42,883	26,310
Recytech SA	-	-		-	-	-	-	-
Maturity								
Less than 1 year	-	-	-	-	3,263	2,694	5,833	5,260
1 to 5 years.................................	-	-	-	-	-	-	37,050	-
More than 5 years	-	-	-	-	-	-	-	21,050
Impairment of doubtful receivables................................	-	-	-	-	-	-	-	-

There are no material transactions with related parties that have not been concluded under normal market conditions.

At December 31, 2018, the Company had drawn down all of the loan facility granted by Glencore International AG to Recylex SA totaling €16 million and due for repayment in 2024. The rescheduled liabilities with respect to Glencore International AG, relating to the rescheduling of debts due under the continuation plan and repayable in 2026, amounted to €5.1 million (Note 18).

At December 31, 2018, Recylex GmbH drew down a €12 million loan facility and Weser Metall GmbH a €4 million loan made available by Glencore International AG in connection with the December 2016 global financing agreement.

Disclosures of the compensation and benefits of all types granted to the Group's administrative and management bodies

Related party transactions comprise the compensation and benefits granted to the Group's senior executives and members of Recylex SA's Board of Directors.
The compensation and benefits of all types paid to members of Recylex SA's Board of Directors break down as follows:

In thousands of euros	***At December 31, 2018***	***At December 31, 2017***
Short-term benefits	640	551
Total compensation and benefits*	**640**	**551**

** See section 2.9.5 of the Management Report of the Board of Directors.*

No other post-employment or long-term benefits have been granted to senior executives.

NOTE 32 - FINANCIAL RISK MANAGEMENT

The Recylex group, which specializes in the recycling of zinc, lead and plastics and the production of special metals, is exposed to currency and interest rate risk and the risk of fluctuations in commodity prices. It is also exposed to other risks, like counterparty and liquidity risk.
The Group has defined a policy and created a handbook of procedures to measure, manage and control its market risk exposure. This policy prohibits any speculative positions from being established in the market and consists in using derivatives to hedge part of the Group's exposure to risks arising from commodity price fluctuations. Procedures have been put in place at Group companies where risks have been identified.

Financial instruments are traded on the over-the-counter market with a highly rated counterparty. The Group primarily uses futures and options. Derivatives cover existing and anticipated financial and commercial exposure. Derivative positions are tracked on a fair-value basis.
Exposure to currency and commodity risks is managed locally, at the level of the Group companies affected.

32.1 Interest-rate risk

The Group is exposed to interest-rate risk on its borrowings, most of which are variable-rate and linked to Libor or Euribor (see Note 13). Only the debt previously included under the continuation plan's liabilities (which ended in December 2015) and now repayable in 2026 does not bear interest (see Note 18). To protect itself against a rise in interest rates and the resulting increase in interest payments on its variable-rate borrowings, the Group has arranged several floating-for-fixed rate swaps (see Note 36).

32.2 Currency risk

The Group is exposed to currency risk arising from transactions carried out by its subsidiaries in currencies other than their functional currency, with certain supply contracts, most notably, being denominated in US dollars. The Group's policy is not to hedge this currency risk.
At December 31, 2018, the Group had no US dollar-denominated commodity derivatives hedging euro-denominated sales. All commodity derivatives are now denominated in euros (see Note 36).

32.3 Commodity risk

The Group is exposed to the risk of fluctuations in metal prices, especially lead and zinc, as well as silver (a by-product mainly from the processing of lead at the Group's smelter in Germany). Lead and zinc prices are quoted in US dollars on the London Metal Exchange and silver prices on the London Bullion Market Association (LBMA). The Group has no influence over the price of these metals and is thus exposed to fluctuations in their value. Exposure results from sales of metals for which production is based on primary and secondary raw materials (such as scrap lead-acid batteries), the price of which was set at a different time. For that reason, hedges are put in place to cover any time lag between purchase and sale dates and for commercial inventories.
The Group uses derivatives to protect a portion of its margins. In 2018, the Group used derivative financial instruments to hedge its exposure to lead and zinc prices (see Note 36).

32.4 Counterparty risk

The Group is exposed to credit risk in the event that a counterparty fails. The Group's credit risk policy varies from segment to segment.

- *Credit risk linked to trade receivables*

On the basis of the information available to it, the Group does not expect any third-party insolvency that could have a significant impact on the Group's financial statements. However, failures among Group customers cannot be ruled out.

In the Lead segment, the Group does business with a limited number of customers proven to be financially sound. However, the Group cannot fully rule out the risk relating to the potential insolvency of its customers.

In the Zinc segment, the picture is more mixed. In the zinc oxide production business, the customer base is highly fragmented, with no single customer accounting for a significant proportion of sales. In Waelz oxides, the Group does business with one main customer, which produces zinc. Failure of this customer would have a direct and significant impact on Harz-Metall GmbH's financial position, thereby potentially compromising the financial commitments made by the Group as a whole.

In the Lead and Zinc segments, the Group hedges some of its accounts receivable by selling receivables to a factoring company under non-recourse factoring contracts. At December 31, 2018, the Group had sold €24.6 million compared to €21.9 million at December 31, 2017.

- *Credit risk linked to cash and cash equivalents and derivatives*

Currency and commodity hedges and cash investments are made with prime financial institutions with long-term credit ratings of BBB+ and A- from Standard & Poor's as at December 31, 2018. However, failures among financial institutions cannot be ruled out.

32.5 Liquidity risk

32.5.1 Recylex SA parent company's liquidity risk

32.5.1.1 Cash forecasts

Recylex SA has prepared a cash forecast based on the information currently available to it, including:

- the projected primary and secondary materials needs of the Weser-Metall GmbH subsidiary, which operates the Group's lead smelter with its two now connected furnaces and is currently almost Recylex SA's only customer, as well as the subsidiary's forecast cash position
- changes in commercial conditions for secondary materials (processing charges)
- fluctuations in lead and zinc prices and in the euro/US dollar exchange rate, parameters to which Recylex SA's business activities are highly sensitive
- trends in volumes and the purchase cost of scrap lead batteries, on which the selling margin and the cash generated by Recylex SA's operating activities are heavily dependent
- financial income, in particular dividends received from Recytech S.A. (equity accounted company), whose results are highly sensitive to the level of the zinc price,
- expenditure linked to the remediation commitments for the closed L'Estaque site and former mining facilities
- developments in the ongoing litigation involving Recylex SA and contingent liabilities (see Notes 1 and 38)
- developments in the recycled polypropylene market and their impact on the business of the subsidiary C2P S.A.S., Recylex S.A.'s sole outlet for the sale of polypropylene residues from battery recycling

A negative change in one or more of these parameters would, depending on its size, give rise to a short-term financing requirement that would no longer be compatible with Recylex S.A.'s cash flow forecast mentioned above and would require it to seek and obtain new financing in order to maintain a balanced cash position and to meet liabilities of the company in the normal course of operations.

32.5.1.2 Financial liabilities - Recylex SA

Recylex SA's financial liabilities (rescheduled liabilities and borrowings shown at their non-discounted value in the table below), and their projected repayment schedule (before elimination of intragroup items) are analyzed below:

In millions of euros	***Liabilities 12/31/2017***	***Change 2018***	***Liabilities 12/31/2018***	***Maturity date***
Original continuation plan	2.8	-	2.8	***(1)***
Glencore International AG	5.1	-	5.1	**2026**
Clawback clause	4.1		4.1	
Recylex SA's total rescheduled liabilities[33]	**12.0**	**-**	**12.0**	
Borrowing arranged (Note 13)	**16.0**	**-**	**16.0**	**2024**
Total financial liabilities - Recylex SA	**28.0**	**-**	**28.0**	
European Commission fine[34]	**25.9**	**(0.5)**	**25.4**	
Intragroup financial liabilities	**(2.8)**	**-**	**(2.8)**	***(1)***
Total consolidated financial liabilities	**51.1**	**(0.5)**	**50.6**	
of which current	1.1	+0.2	1.3	
of which non-current	50.0	(0.7)	49.3	

(1) Repayment of this liability is subordinated in particular to the payment of the European Commission fine.

At December 31, 2018, Recylex SA's had a total of €53.4 million in financial liabilities (€50.6 million after elimination of intragroup receivables).

At December 31, 2018, Recylex SA had used the entire €16 million borrowing facility arranged with Glencore International AG in 2014. Under the staggered payment plan for the European Commission's fine, the repayment date for this loan was rescheduled to 2024.

It should be noted that an unfavorable event, such as non-compliance with the European Commission's plan to defer payment of the fine or a negative outcome in ongoing litigation against Recylex S.A. (See Note 1 "Ongoing legal proceedings concerning Recylex S.A."), could significantly worsen the Company's financial position. In this case, the lender

[33] *See Note 18 - Other non-current liabilities and Note 18.1 - Rescheduled liabilities*
[34] *Current and non-current portion*

could request the early termination of the aforementioned €16 million loan agreement and the immediate repayment of the amounts borrowed under this loan, which would no longer be compatible with Recylex S.A.'s cash flow forecasts. Unless the lender waives the exercise of its aforementioned rights and/or agrees to renegotiate favorably the terms of repayment of the loan, Recylex S.A.'s going concern could be called into question.

Recylex SA does not have any current bank lines.

32.5.1.3 Impact of legal proceedings - Recylex SA

Recylex SA's short-term cash position and medium- to long-term financial position will be heavily influenced by the outcome of the ongoing litigation, and it has no control over the schedule of court hearings. Those proceedings are presented in detail in Note 1.

- the claim for damages from the liquidators of Metaleurop Nord SAS amounting to €22 million, not provided for in Recylex SA's financial statements
- claims for damages lodged against Recylex SA in the Lens Labor Court and the Douai Appeal Court by former employees of Metaleurop Nord SAS, for damages relating to the prejudice of anxiety and/or breach of a safety obligation and/or their disputed dismissal. The total amount claimed in these proceedings currently stands at around €16 million, against which €4 million of provisions have been set aside in Recylex SA's financial statements (see Notes 1 and 14).
- the motion filed by SNCF Réseau, a public industrial and commercial institution, in the Marseille Administrative Court to have Recylex SA and RETIA SASAU jointly ordered to pay the entire amount necessary for the "complete refurbishment" of the publicly owned rail assets in the L'Estaque section in Marseille. SNCF Réseau currently assesses the total cost of the works at €70 million. No provision for risks was recognized in respect of this claim at December 31, 2018 (see Notes 1 and 30).

32.5.1.3 Other information - Recylex SA

The following additional factors should also be taken into account when assessing the liquidity risk at Recylex SA, the Group's parent company:
- Recylex SA does not have any Group-wide cash pooling arrangements in place
- Bank borrowings arranged and lines of credit used by certain subsidiaries in Germany are subject to bank covenants prohibiting the payment of dividends to the Recylex SA parent company until all sums borrowed have been repaid
- Since Weser-Metall GmbH is almost its only customer, Recylex SA's cash flow is highly dependent on that of Weser Metall GmbH, which forms part of the cash pooling system operated by Recylex GmbH across all the companies in the Group's German sub-group.

The assessment of Recylex S.A.'s liquidity risk subsequent to the December 31, 2018 balance sheet date is presented in Note 39 "Subsequent events"

32.5.2 German sub-group's liquidity risk

32.5.2.1 Financial liabilities - German sub-group

The German sub-group's financial liabilities and their projected repayment schedule (before elimination of intragroup items) are analyzed below:

In millions of euros	***Liabilities 12/31/2017***	***Change 2018***	***Liabilities 12/31/2018***	***Maturity date***
Bank borrowings	33.2	10.4	43.6	**2020-2024**
Bank overdraft facilities	15.0	(1.2)	13.8	**2024**
Glencore International AG	-	16.0	16.0	**2024**
Recylex SA	14.2	1.5	15.7	**2024**
Total financial liabilities – German sub-group	**62.4**	**26.7**	**89.1**	
Intragroup financial liabilities	**(14.2)**	**(1.5)**	**(15.7)**	**2024**
Total consolidated financial liabilities[35]	**48.2**	**25.2**	**73.4**	
of which current	15.0		73.4	
of which non-current	33.2		-	

[35] *See Note 18 - Other non-current liabilities and Note 18.1 - Rescheduled liabilities*

Pursuant to IAS 1.69, the entirety of the German sub-group's financial liabilities was reclassified as current financial liabilities at December 31, 2018 (see Note 13 - Interest-bearing borrowings).

On December 29, 2016, the Group finalized €67 million of financing for its German subsidiaries from a consortium of German banks. The entire amount of the requested financing was raised, and it covers:

- €15 million in credit lines (Tranche A2) and €2 million to renew the bank guarantees required for the industrial activities, repayable by October 31, 2021
- The €50 million (Tranches A1 and A2) in capital expenditures required by the Group's German subsidiaries, which are strategically important to put their activities on a sustainable footing. Of this amount, €40 million will be devoted to the new reduction furnace at Weser-Metall GmbH to restore the Lead segment's profitability by recovering the lead contained in input materials more efficiently.

Under these plans, a specific guarantee intended to cover a significant portion of the projected capital expenditure financing was obtained from the Lower Saxony region in Germany. The conditions imposed by the banking consortium also include the creation of a German-law security trust relating to shares in the German subsidiaries Recylex GmbH, Weser-Metall GmbH and Harz-Metall GmbH. The security trust is intended to ensure that the investments required to build Weser-Metall GmbH's new reduction furnace are duly completed, and that obligations with respect to the loan are met, it being stipulated that beneficial ownership of the shares is retained by Recylex Group entities, which continue to exercise and enjoy their shareholder rights as long as the borrowers do not breach their obligations.

At December 31, 2018, the Group drew down €47.6 million (€50 million credit facility stated above) and repaid €4.0 million. The loan balance outstanding stood at €43.6 million at December 31, 2018. The Group was also able to use €13.8 million from the credit lines in respect of which the drawing conditions were met at December 31, 2018.

In accordance with the terms of the December 2016 financing agreement with its financial partners (see Note 30), the Group's German sub-group arranged in September 2018 and November 2018 two borrowings in a total amount of €16 million from Glencore International AG to cover its working capital requirements. These borrowings are subordinated to repayment of the bank borrowings, with repayments linked to the German sub-group's financial performance. The €25 million financing package granted by Glencore International AG in connection with its December 2016 financing commitments was used in full at December 31, 2018.

Business volumes were badly affected by the persistent technical difficulties encountered as a result of the Nordenham lead smelter's new production configuration throughout 2018, which led to a sub-par financial performance.

Accordingly, the German sub-group:

- fell short of its performance target for December 31, 2018 as stipulated in the financing agreement entered into in December 2016 and revised in September 2018
- was unable to make the scheduled repayment on December 31, 2018 under the aforementioned financing arrangements
- was unable to draw down the available credit, i.e., €2.3 million, under tranches A1 and A2 of the financing package (totaling €50 million), and
- had to reduce its use of the credit line (tranche B) from €15 million to €13.8 million

Against this backdrop, the Group received temporary dispensation from its banking partners valid until March 31, 2019 allowing it to postpone the repayment due on December 31, 2018. They also agreed not to enforce the financial objectives set for the German sub-group on December 31, 2018 and to refrain from using their rights to cancel the financing agreement early. Accordingly, the Group was granted €10 million in bridge financing on February 6, 2019 to cover the German sub-group's financing needs in the very short term. A sum of €xx million was drawn down under this arrangement, which is repayable by March 31, 2019 and will have to be adjusted under the global financing agreement (see point 32.5.2.2 below).

The financial projections prepared in December 2018 and updated in January 2019 identified an additional €27 million borrowing requirement for the German sub-group in FY 2019. These projected financing requirements specifically include:

- A total amount of around €18 million in investments required for technical improvements at the Nordenham smelter and for the continued operation of the German sub-group
- The German sub-group's operational working capital requirements necessary to safeguard its ability to continue as a going concern.

In December 2018, the Group thus commenced further discussions with all the German sub-group's financial partners in December 2018. The aim of the talks was to adjust the financing arrangements agreed by the Group's German sub-group in December 2016 (amended in September 2018) to its current and projected cash generation.

The post-closing evolution of the restructuring of the German sub-group's debt is presented in Note 39 "Subsequent events".

NOTE 33 - FINANCIAL INSTRUMENTS ON THE BALANCE SHEET

Analysis of financial instruments by type of instrument

12/31/2018	*Available for sale assets*	*Loans and receivables*	*Fair value through profit or loss*	*Hedging derivatives*	*Financial liabilities at amortized cost*	*Balance sheet value*	*Fair value*
In thousands of euros							
Assets							
Non-current assets							
Non-current financial assets	-	52	-	-	-	52	52
Non-current derivatives	-	-	-	-	-	-	-
Other non-current assets	-	2,821	-	-	-	2,821	2,821
Current assets							
Trade receivables	-	21,107	-	-	-	21,107	21,107
Current derivatives(3)	-	-		-	-	-	-
Cash and cash equivalents	-	6,352	-	-	-	6,352	6,352
Equity and liabilities							
Non-current liabilities							
Non-current interest-bearing borrowings	-	-	-	-	16,000	16,000	16,000
Other non-current liabilities(1)	-	-	-	-	32,999	32,999	32,999
Current liabilities							
Current interest-bearing borrowings	-	-	-	-	73,545	73,545	73,545
Trade payables	-	-	-	-	29,579	29,579	29,579
Current derivatives(3)	-	-	801	-	-	801	801
Other current financial liabilities(2)	-	-	-	-	1,287	1,287	1,287

(1) Other non-current liabilities are presented in Note 18.

(2) Other current financial liabilities include liabilities related to the clawback clause and the current portion of the European Commission's fine.

(3) Comprises only commodity derivatives and interest rate swaps (Note 36).

12/31/2017	Available for sale assets	Loans and receivables	Fair value through profit or loss	Hedging derivatives	Financial liabilities at amortized cost	Balance sheet value	Fair value
In thousands of euros							
Assets							
Non-current assets							
Non-current financial assets	-	58	-	-	-	58	58
Non-current derivatives	-	-	-	-	-		-
Other non-current assets	-	2,726	-	-	-	2,726	2,726
Current assets							
Trade receivables	-	31,165	-	-	-	31,165	31,165
Current derivatives[3]	-	-		-	-		
Cash and cash equivalents	-	5,546	-	-	-	5,546	5,546
Equity and liabilities							
Non-current liabilities							
Non-current interest-bearing borrowings	-	-	-	-	42,214	42,214	42,214
Other non-current liabilities[1]	-	-	-	-	33,646	33,646	33,646
Current liabilities							
Current interest-bearing borrowings	-	-	-	-	22,325	22,325	22,325
Trade payables	-	-	-	-	31,926	31,926	31,926
Current derivatives[3]	-	-	55	-	-	55	55
Other current financial liabilities[2]	-	-	501	-	60	561	561

(1) Other non-current liabilities are presented in Note 18.
(2) Other current financial liabilities include liabilities related to the clawback clause and the current portion of the European Commission's fine.
(3) Comprises only commodity derivatives (Note 36).

The net carrying amount of trade payables and receivables represents a reasonable estimate of their fair value given the Group's short payment periods.

Net gains and losses by category of instrument and impact on equity

In thousands of euros	*Recognized in income*	
	12/31/2018	***12/31/2017***
Income/(expense) relating to loans and receivables recognized at amortized cost	-	-
Foreign exchange gains/(losses) on loans and receivables (Note 27)	285	(634)
Reversal of/(charge to) impairment losses on loans and receivables	-	-
Foreign exchange gains/(losses) on cash and cash equivalents (Note 27)	-	-
Factoring costs (Note 27)	(1,240)	(1,327)
Net gains and losses on loans and receivables	**(955)**	**(1,961)**
Income from investments held at fair value	-	-
Net gains and losses on investments at fair value through profit or loss *(1)*	**-**	**-**
Interest expense on borrowings stated at amortized cost (Note 26)	(9,471)	(6,197)
Impact of discounting liabilities under the continuation plan (Note 18)	(279)	(354)
Foreign exchange losses on borrowings at amortized cost (Note 27)	-	-
Financial gain/(loss) relating to recognition of liabilities related to the clawback clause under financial liabilities (Note 18.2)	-	-
Net gains and losses on borrowings and debt at amortized cost	**(9,750)**	**(6,551)**
Derivatives not designated as hedging instruments	**(800)**	**(3,305)**
Investments held at fair value	-	-
Total	**(11,505)**	**(11,817)**

(1) Relates solely to short-term investments and cash equivalents.

NOTE 34 - INFORMATION CONCERNING CREDIT RISK

Unpaid receivables

At December 31, 2018	***Balance sheet value***	***Financial assets neither due nor written down at the balance sheet date***	***Financial assets due but not written down at the balance sheet date***			***Financial assets written down***
In thousands of euros			0-3 months	3-6 months	Over 6 months	
Loans	462	42	-	-	-	420
Trade receivables	24,563	20,767	340	-	-	3,456
Other non-current assets	2,821	2,821	-	-	-	-
Other financial assets (1)	150,608	-	-	-	-	150,608
Total	**178,454**	**23,630**	**340**	**-**	**-**	**154,484**

At December 31, 2017	***Balance sheet value***	***Financial assets neither due nor written down at the balance sheet date***	***Financial assets due but not written down at the balance sheet date***			***Financial assets written down***
In thousands of euros			0-3 months	3-6 months	Over 6 months	
Loans	2,197	2,197				
Trade receivables	34,607	30,899	266			3,442
Other receivables	2,757	1,706				1,051
Other financial assets *(1)*	150,608					150,608
Total	**190,169**	**34,802**	**266**	**-**	**-**	**155,101**

(1) These represent amounts due from Metaleurop Nord SAS and Peñarroya Espagne (see Note 6).

The Group's credit risk exposure breaks down as follows:
At December 31, 2018, €0.3 million in trade receivables remained unpaid but were not written down. Of these receivables, 100% were less than 90 days past due.

Impairment of loans and receivables

	December 31, 2018			***December 31, 2017***		
In thousands of euros	***Loans and other non-current financial assets***	***Trade receivables***	***Other current assets***	***Loans and other non-current financial assets***	***Trade receivables***	***Other current assets***
Total impairment at January 1	**244,709**	**3,441**	**1,052**	**244,639**	**3,449**	**1,032**
Increases	71	18	40	70	30	20
Uses	-	-	-	-	-	-
Reversals	-	(4)	-	-	(38)	-
Total impairment at December 31	**244,780**	**3,456**	**1,092**	**244,709**	**3,441**	**1,052**

Impairment losses are recognized only on a case-by-case basis.

NOTE 35 - LIQUIDITY RISK: OUTSTANDING FINANCIAL LIABILITIES BY MATURITY DATE

At December 31, 2018, undiscounted contractual cash flows (principal and interest) arising from outstanding financial liabilities break down by maturity date as follows:

In thousands of euros	***Balance sheet value***	***Contractual cash flows***	***2019***	***2020***	***2021***	***2022***	***2023***	***> 5 years***
Borrowings *(1)*	89,545	107,739	4,074	8,986	3,831	7,761	3,621	79,465
Liabilities rescheduled under the continuation plan *(2)*	4,781	5,050	-	-	-	-	-	5,050
Clawback clause (*3*)	3,332	19,210	768	-	-	-	-	18,442
Trade payables	29,579	29,579	29,579	-	-	-	-	-
Commitments under operating leases and finance leases	-	3,467	1,296	883	626	81	69	512
Other current liabilities	-	-	-	-	-	-	-	-
Total	**127,237**	**165,045**	**35,717**	**9,869**	**4,457**	**7,842**	**3,690**	**103,469**

(1) See Note 13.

(2) €5,050,000 relating to financial liabilities vis-à-vis Glencore International AG (see Notes 18 and 32).

(3) The figures relating to the clawback clause include the nominal value of this debt and do not take account of the effect of discounting. This clawback clause provides that from and including December 31, 2015, Recylex SA will allocate 20% of its cash at December 31 of each subsequent financial year to repayment of the waived debt on a pari passu basis between the creditors, with no limit on the duration of such repayments. The total liability covered by the clawback clause is €19,210,000. Its fair value (Note 18.1) at December 31, 2018 was €3,332,000.

The above table shows all the outstanding liabilities at December 31, 2018, for which cash flows have been contractually agreed, except for the outstanding €25.4 million principal amount of the European Commission fine, whose staggered installment plan is confidential. It does not include future forecasts or new liabilities.

NOTE 36 - EXPOSURE TO MARKET RISK AND DERIVATIVES

Commodity risk

The Group is exposed to the structural risk of fluctuations in metals prices, particularly lead, zinc and silver. This exposure derives from sales of metals for which production is based on secondary materials (lead produced from battery recycling), the price of which is not directly linked to market prices, and on surplus metals recovered from the materials to be processed. The Group may use derivatives traded on the London Metal Exchange to protect itself partially against these risks. Those derivative instruments are not designated as hedging instruments within the meaning of IFRS 9.

The Group is also exposed to two main transaction risks related to metals prices:

- the risk of fluctuations in metal prices relative to its firm commitments under sale contracts which are not recognized on the balance sheet
- the risk of fluctuations in the price of metals held in commercial inventories[36].

Most transactions related to metals use London Metal Exchange (LME) prices. If metal prices were constant, the price paid by the Group for these raw materials would be passed on to the customers in the product price. However, during the transformation of the raw materials into products, fluctuations in metal prices result in differences between the price paid for the metal contained in the raw materials and the price received for the metal contained in the products sold to the customer. A transaction risk therefore exists concerning changes in metal prices between the moment when the price of the raw material purchased is determined and the moment when the price of the finished goods is determined.
The Group's policy is to hedge its transaction risk as far as possible, mainly using futures contracts. These financial instruments are recognized as derivatives held for trading.

[36] Lead inventories at the Group's main smelter are divided into: a) permanent inventories; b) commercial inventories. The Group is exposed to risks relating to the prices of metals in its inventories. This risk relates to the market value of the metal, which could fall below the carrying amount of inventories. The Group's policy is not to hedge the risk relating to permanent inventories and to hedge the risk relating to commercial inventories.

Fair value			***12/31/2018***	***12/31/2017***
In thousands of euros	*Current*	*Non-current*	*Total*	*Total*
Other financial instruments (assets - liabilities)	(274)	-	(274)	(55)
Assets				
Derivatives (cash flow hedges)	-	-	-	-
Derivatives (fair value hedges)	-	-	-	-
Derivatives (other)	-	-	-	-
Liabilities				
Derivatives (cash flow hedges)	-	-	-	-
Derivatives (fair value hedges)	274	-	274	55
Derivatives (other)	-	-	-	-

Fair value hedges

At December 31, 2018, the Group did not have any derivative instruments designated as fair value hedges.

Cash flow hedges

At December 31, 2018, the Group did not have any derivative instruments designated as cash flow hedges.

Derivatives measured at fair value through profit or loss

At December 31, 2018, the Group used derivative financial instruments to hedge the transaction risk arising from the change in metals prices between the moment when the price of the raw material purchased is determined and the moment when the price of the finished goods is determined. These derivatives are not designated as hedging derivatives as defined in IFRS 9 and are recognized at fair value through profit or loss.

In thousands of euros	**Market value of derivatives**	**Nominal**
FY 2018		
Sales of lead futures	(209)	(6,919)
Purchases of lead futures	18	879
Zinc commodity swaps	(83)	787

Currency risk

The Group is exposed to a limited currency risk arising from the transactions conducted by its subsidiaries in various currencies other than their functional currency. The principal currency to which the Group is exposed is the US dollar. The Group is also exposed to currency risk on commodity derivatives traded in US dollars that are used to hedge sales denominated in euros. The Group's policy is not to hedge this currency risk.
At December 31, 2018, the Group's exposure to currency risk was as follows:

12/31/2018	***Thousands of US dollars***	***In thousands of pounds sterling***	***Thousands of euros***
Trade receivables	7,578		6,618
Other current assets	81	4	76
Assets	**7,659**	**4**	**6,694**
Trade payables	6,601		5,765
Equity and liabilities	**6,601**		**5,765**

At the balance sheet date, the sensitivity analysis was performed based on the assets and liabilities denominated in US dollars and sterling as well as commodity derivatives denominated in US dollars. For currency risk, sensitivity reflects the impact of a +/-10% change in the euro-US dollar and euro-sterling exchange rates from their levels at the balance sheet date.

The impact on income is based on the nominal amount of the assets and liabilities (stated in euros), to which a +10% or -10% change in the exchange rate is applied.

At December 31, 2018, the Group's sensitivity to exchange-rate movements was as follows:

In thousands of euros	US dollar	Sterling
Net exposure (assets - liabilities)	1,058	4
+10%	(84)	-
-10%	103	-

Interest rate risk

The Group's financial liabilities primarily consist of variable- and fixed-rate borrowings and of variable-rate short-term loans, plus the rescheduled liabilities originating from Recylex SA's continuation plan (not bearing interest). To protect itself against a rise in interest rates and the resulting increase in interest payments on its variable-rate borrowings, the Group has arranged several floating-for-fixed rate swaps. These derivatives, which were not designated as hedging instruments at December 31, 2018, are carried on the balance sheet at their fair value, with €526,000 being expensed to reflect changes in their fair value.
At December 31, 2018, the primary risk of interest rate fluctuations derived from the interest rate derivatives. Management considers the risk as non-material.

NOTE 37 - LIST OF CONSOLIDATED ENTITIES AT DECEMBER 31, 2018

The scope of consolidation for FY 2018 is shown in the table below.

	Registered office	Consolidation method	% interest at 12/31/2018	% control	% interest at 12/31/2017
Recylex SA	**Paris**	**Parent company**	**100.00**	**100.00**	**100.00**
France					
C2P SAS	Villefranche-sur-Saône	FC	100.00	100.00	100.00
Recytech SA	Fouquières-lès-Lens	EQ	50.00	50.00	50.00
Belgium					
Fonderie et Manufacture de Métaux SA	Brussels	FC	100.00	100.00	100.00
Germany					
Recylex GmbH	Hanover	FC	100.00	100.00	100.00
Weser-Metall GmbH	Nordenham	FC	100.00	100.00	100.00
Harz-Metall GmbH	Goslar	FC	100.00	100.00	100.00
C2P GmbH	Goslar	FC	100.00	100.00	100.00
PPM Pure Metals GmbH	Langelsheim	FC	100.00	100.00	100.00
Recylex Grundstücksverwaltungs GmbH	Langelsheim	FC	100.00	100.00	100.00
Norzinco GmbH	Goslar	FC	100.00	100.00	100.00
Recylex Beteiligungsgesellschaft Eins mbH	Hanover	FC	100.00	100.00	100.00
Recylex Beteiligungsgesellschaft Zwei mbH	Hanover	FC	100.00	100.00	100.00
Algeria					
Eco-Recyclage SpA	Algiers	EQ	33.33	33.33	33.33

FC = Full consolidation EQ = Equity method NC = Non-consolidated

NOTE 38 - ENVIRONMENT-RELATED PROVISIONS AND CONTINGENT LIABILITIES

1. Background and general presentation of environment-related provisions and contingent liabilities

The Group's active sites are presented in detail in section 1 of the Board of Directors' Management Report.
The Recylex group's activities are subject to local, national and international regulations relating to the environment and industrial safety. These regulations are constantly changing and impose numerous requirements. As a result, these activities carry a risk that Recylex will be held liable for matters including site remediation and industrial safety. In accordance with IFRS, provisions can only be set aside where the Group has a legal, regulatory or contractual obligation to a third party resulting from past events. This obligation can also arise from public commitments or practices by the Group that have created a legitimate expectation from the relevant third parties that the Group will assume certain liabilities, where it is likely or certain that this obligation will give rise to an outflow of resources to such a third party, and the amount can be reliably estimated and corresponds to the best possible estimate of the commitment.
At end-2018, environmental provisions recognized by the Group totaled €22 million, covering the present value of all forecastable expenditure in line with the required remediation timeframe. The amounts recognized represent the best estimates based on reports and technical studies by independent experts. The Group cannot rule out the possibility that assumptions used to calculate these provisions will have to be revised. As a result, the Company monitors these provisions to take into account changes in the interpretation or application of the regulations by the relevant authorities, the technical, hydrological and geological constraints relating to environmental remediation issues, and the discovery of pollution not currently identified.
In accordance with IFRS, a contingent liability is identified when:

- a possible obligation arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- a present obligation arises from past events but is not recognized because:
    - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation,
    - the amount of the obligation cannot be measured with sufficient reliability.

Environmental provisions recorded (before discounting) are summarized in the table below:

In thousands of euros	12/31/2018	12/31/2017
France		
Closed sites	8,790	9,868
Mines	3,923	4,830
Germany		
Active sites	2,403	1,152
Closed sites	7,457	8,397
Total provisions	**22,573**	**24,247**

The Group has drawn up expenditure projections reflecting existing obligations identified at closed sites and at active sites:

In thousands of euros	2019	2020	2021	2022	2023	Over 5 years
Closed sites	**5,115**	**4,680**	**3,998**	**1,548**	**963**	**3,866**
Active sites	**0**	**1,100**	**0**	**0**	**0**	**1,303**
Total expenditure covered by provisions	**5,115**	**5,780**	**3,998**	**1,548**	**963**	**5,169**

Environmental provisions and contingent liabilities identified by the Group are discussed below.

2. Provisions and monitoring of contingent liabilities relating to mining concessions (France)

2.1 Provisions recognized under the procedure for giving up rights to operate mining concessions

Recylex SA still holds mining concessions at which operations have ceased. Work to remediate these former mining sites and make them safe is taking place under a multi-year plan approved and revised in conjunction with local authorities and government organizations.
The aggregate amount of provisions (before discounting) covering the entire former mining site remediation program came to €3,923,000 at December 31, 2018.

In thousands of euros	12/31/2018	12/31/2017
Total provisions	**3,923**	**4,830**

At December 31, 2018, Recylex SA no longer held any mining concessions as a result of a provision in Art. L. 144-4 of the French Mining Code that stipulates that unused mining concessions of an unlimited duration expire on December 31, 2018. The expiration of the validity of this mining concession does not mean the end of mining safety obligations concerning implementation arrangements for the remedial work required by prefectural decree, but not yet completed. Work commenced in 2017 to ensure the safety of a mining site in the Gard department and continued in 2018, and a dispute arose with the authorities concerning a mining site in the Hautes-Pyrénées department following a prefectural decision. Expenditure incurred in 2018 for the remediation of former mines came to €1,148,000.

2.2 Monitoring of contingent liabilities relating to former mining sites

At December 31, 2018, the Company was not aware of any actual or potential obligation relating to former mining sites that could constitute a contingent liability.

3. Provisions and monitoring of contingent liabilities relating to closed sites and former landfill sites

The table below sets out provisions (before discounting) for remediation of the Recylex group's closed sites and former mining sites.

In thousands of euros	**12/31/2018**	**12/31/2017**
France		
Closed sites	8,790	9,868
Germany		
Closed sites	7,457	8,397
Total	**16,247**	**17,459**

3.1 Provisions recognized for sites in France (L'Estaque site)

Following the shutdown of operations at the L'Estaque facility in February 2001, several orders subsequent to the prefectural order of December 23, 2002 laying down the remediation program specified the conditions for the remediation work and set the deadline for completion of the work as December 31, 2018. Based on the work still to be completed, a request to defer the deadline for the remediation work until December 31, 2022 was sent in January 2019 to the Prefect of the Bouches-du-Rhône department.

In June 2012, a contract was signed with a specialist contractor covering the construction and operation of an initial storage cell. In 2014, a second cell was built and partially filled. After a standstill period, Recylex SA resumed the task of excavating and filling the second storage cell during the second half of 2017. In 2018, work focused on extending the second storage cell and then using it to store around 60,000 cubic meters in waste.
The aggregate amount of provisions (before discounting) covering the entire L'Estaque site remediation program came to €8,790,000 at December 31, 2018. An additional charge of €1,983,000 was set aside in the financial year ended December 31, 2018 to reflect the additional pollution abatement work and the extension of the period of time over which the recurrent costs are expected to be incurred. These amounts are the best available estimates, based on technical reports by independent experts.
A total of €3,061,000 in expenses was incurred in 2018 in connection with the remediation of the L'Estaque facility.
Recylex SA resumed remediation work at the L'Estaque site during the second half of 2017. It remains on the lookout for opportunities to harness the value of this site over the next few years.

3.2 Provisions recognized for sites in Germany

Most industrial sites and landfill sites in Germany ceased operations before the merger between Preussag GmbH and Peñarroya SA in 1988. Under German law, an operator remains liable for all the damage caused, even if it has sold the land to third parties. In 2009, a settlement was reached between two of the Group's German subsidiaries, Harz-Metall GmbH and PPM Pure Metals GmbH, and the TUI Group on the remediation of certain sites in Germany belonging to these subsidiaries.
The provisions set aside for the German sites correspond to ground and water remediation obligations, particularly relating to former slag heaps and landfill sites for which the Group's German subsidiaries remain responsible, taking account of the agreement with TUI. The Group has been notified of these obligations by the local authorities. The total amount of provisions (before discounting) recognized for the German sites was €7,457,000 at December 31, 2018, including €6,136,000 for the Harz-Metall GmbH site in Goslar and €1,275,000 for the Weser-Metall GmbH site. These amounts are the best available estimates, based on technical reports by independent experts.

(i) Harz-Metall GmbH site: former slag heaps

For the Harz-Metall GmbH site, the Group is responsible in particular for remediating former slag heaps and abandoned industrial facilities (estimated cost: €4,986,000), and site surveillance (estimated cost: €1,151,000). Expenditure incurred in FY 2018 for the remediation and securing of former slag heaps and industrial sites amounted to €558,000.

(ii) Weser-Metall GmbH site: former lead facility and other landfill sites

At the Weser-Metall GmbH site in Nordenham, the €175,000 provision covers the cost of remediating the former lead facility. Close to the Weser-Metall GmbH site are two landfills that ceased operations in 1977 (Rahden) and 1995 (Galing I) respectively. At the Rahden landfill, the local authorities have requested a reduction in the zinc levels in the ground before vegetation can be reintroduced. The Group has arranged monitoring of zinc levels, with an estimated duration of ten years. The total provision, including monitoring costs, was €600,000 at December 31, 2018. At the Galing landfill, a €500,000 provision was set aside to cover monitoring costs, also expected to last ten years.

3.3 Monitoring of contingent liabilities in France and Germany

At the PPM Pure Metals GmbH site in Langelsheim, Germany, work to ensure the safety of the former slag heap has been completed in the vicinity of the new road. However, the Group cannot rule out the possibility that the local authority may require additional work. The additional work for which the Group could then be responsible has an estimated cost of €1,100,000, but is not provisioned because there is no proven obligation.

4. Active sites

In 2010, Harz-Metall GmbH created on its own site an authorized landfill site for the final storage of slag from its Waelz oxide manufacturing process. This landfill site has a capacity of 360,000 tonnes. In the case of provisions for remediation of operational storage areas for end-of-process waste (slag from production), the Group recognizes provisions for its remediation obligations, with a balancing entry in non-current assets reflecting the expected date of the relevant expenditures (present value). This asset is amortized as it is used. The provision made reflects the date that this expense will be incurred and is therefore discounted to present value. A corresponding asset is created as a balancing entry for this provision. The provision thus calculated is €2,301,000 at December 31, 2018. The asset is amortized as the storage capacity is used.

In France, act no. 2003-699 of July 30, 2003, requires guarantees to be created to ensure the safety of certain facilities and the protection of the environment, in the event of discontinuation of their operations. By the nature of their businesses, Recylex SA and Recytech SA are covered by this requirement. In 2018, Recylex SA made the fifth payment of the aforementioned guarantee, the amount of which was approved by the relevant authorities in accordance with article R. 516-1 of the Environmental Code as amended by the order of May 31, 2012. The total value of the guarantee to be created by Recylex SA is €700,000, to be paid over nine years. At December 31, 2018, Recylex SA recognized a long-term financial asset corresponding to the first two tranches in a total amount of €420,000. That asset is written down in full, as the use of this financial guarantee, which is contingent upon discontinuation of the business, is not located in a defined period.

5. Discounting of environmental provisions

The provisions set aside to cover environmental liabilities are discounted in the consolidated financial statements as permitted under IAS 37. For this purpose, the Group uses the TEC rate, the benchmark rate for French government bonds, with the maturity chosen to reflect the expected date of the expenditure.

At December 31, 2018, the rates used ranged between 0.686% (TEC 10-year rate) and 1.072% (TEC 15-year rate). When the rate is negative, the liabilities are not discounted.

The sensitivity of the environmental provisions to a change in discount rate is shown in the following table:

	Change in the discount rate (in basis points)(1)		
	-0.8	-0.3	-0.1
Impact on the amount of the provision In millions of euros	+0.6	+0.2	+0.1

(1) Changes in the 10-year and 15-year TEC benchmark rates over the past 5 years.

NOTE 39 – SUBSEQUENT EVENTS

The Group has taken into account events after the balance sheet date and, where appropriate, has either adjusted its financial statements or provided information in the notes to the financial statements in respect of such events if they were material.

In accordance with IAS 10.8, only events confirming a situation prevailing at the balance sheet date have led to adjustments in the financial statements. Material events relating to new circumstances arising after the balance sheet date are disclosed in the notes (IAS 10.10).

39. 1. Subsequent events taken into account that have led to adjustments to the financial statements are as follows:

Impairment tests (Note 5): The Group has reviewed the recoverable amount of the CGUs for which at the balance sheet date indications of impairment have been identified and whose recoverable amount is significantly influenced by events subsequent to the balance sheet date at December 31, 2018 until the closing of the consolidated financial statements by the Board of Directors.

Deferred taxes (Note 28). The Group wrote down all previously capitalized tax losses and impaired deferred tax assets on temporary differences to the extent of deferred tax liabilities. As a result of these impairments, the net balance of deferred taxes recognized in the consolidated balance sheet is zero.

39.2. Subsequent events taken into account that have resulted in a specific mention in the notes to the financial statements are as follows:

Changes in metal prices and the euro/dollar exchange rate over 2019 and early 2020
Lead and Zinc metal prices declined in 2019 and early 2020 compared to the average price in 2018.

The average lead price for 2019 was €1,787, down 6% compared to the 2018 average. In the first quarter of 2020, the average lead price was €1,675. Between January 2, 2020 and March 31, 2020, the price of lead fell almost continuously, with an 8% drop since the beginning of the year.

The average zinc price for the year 2019 was €2,274, down 8% on the 2018 average. In the first quarter of 2020, the average zinc price reached €1,930. Between January 2, 2020 and March 31, 2020, the zinc price fell by 17%, due to a very sharp drop since February 2020.

In 2019, the average €/$ exchange rate fell by 5% compared to 2018 to reach 1.1195. Between 2 January and 31 December 2019, the €/$ exchange rate fell by 2%. Between 2 January 2020 and 31 March 2020, the €/$ exchange rate also fell by 2%.

Evolution of Lead and Zinc segment activity in 2019 and early 2020

Lead Segment
In 2019, sales in the Lead Segment amounted to €196.4 million, down 17% compared to 2018 due to:

- The impact of lower lead prices and weaker commercial conditions for the smelter compared to 2018,
- Persistent technical difficulties with the BSF furnace during the first three quarters of 2019 led the Group to reduce its supplies of used batteries in order to adapt them to the smelter's lead production levels,
- A decline in sales volumes due to the increase in volumes handled under the industrial subcontracting ("tolling") contract,
- The evolution of the production process compared to 2018 (the by-products of the main furnace being fully processed internally in 2019, instead of being sold as in the past).

The Weser-Metall GmbH foundry also carried out two maintenance shutdowns in 2019 in order to renew the refractory bricks of the BSF furnace (January 2019) and to implement technical improvements aimed at stabilizing the charging and production of the two coupled furnaces (November 2019).
Encouraging industrial performance following the maintenance shutdown in November 2019, together with a favorable basis for comparison (no maintenance shutdown in the first quarter of 2020) enabled the Weser-Metall GmbH smelter to produce nearly 33,400 tonnes of lead in the first quarter of 2020 (+36% compared to the first quarter of 2019), although in a context of continued decline in lead prices.

Zinc segment
In 2019, sales of the Zinc segment amounted to €80.8 million, down 16% compared to 2018, mainly due to:

- The lower zinc price in 2019 which impacted the entire Zinc segment,
- Deterioration of the commercial conditions on the dust recycling business (Harz-Metall GmbH) compared to 2018.
- Difficult market conditions and higher maintenance than in 2018 for the zinc oxides production activity of Norzinco GmbH.

The sharp decline in the zinc price and deteriorating commercial conditions continued into the first quarter of 2020 further impacting the Zinc segment's business.

Debt restructuring of the German subgroup

Throughout 2019 and early 2020, the Group continued discussions with the financial partners to restructure the debt of the German sub-group. The main developments were as follows:

Following the definition of the German sub-group's additional financing requirements for 2019 in the amount of €27 million (see Note 1 - paragraph "Cash position and external financing of the Group"), the Group approached Glencore International AG in order to cover this financing requirement for 2019. On February 7, 2019, a bridge financing for €10 million maturing on March 31, 2019 was put in place to enable the finalization of the global refinancing agreement which was scheduled for May 2019.

Despite technical improvements in the industrial configuration of the Nordenham lead smelter, technical and financial performance has not been sufficient to contain the cash consumption of the smelter's activity. At the request of the German sub-group and through successive amendments, the amount of the above-mentioned bridge financing was therefore increased in May 2019 to a total amount of €21.3 million and then to €27.0 million. At the same time, the maturity of the bridge financing was postponed to June 30, 2019.

In June 2019, the cash requirements of the German sub-group for the year 2019 were revised upwards beyond the initial estimate of €27.0 million which served as a basis for discussions on an agreement to restructure the Bank debt, bringing the German sub-group's financing requirement to €46.8 million for the year 2019. This upward revision of cash requirements was mainly due to the significant deterioration in certain factors compared with the initial forecasts:

- The persistence of technical difficulties at the Weser-Metall GmbH lead smelter, despite recent improvements, resulting in insufficient production levels,
- The very recent deterioration in business conditions, particularly in the Waelz oxides activity of the Zinc segment (sharp increase in treatment charges paid to zinc producers); this activity was also impacted by a temporary decline in its industrial performance following the scheduled maintenance shutdown of Harz-Metall GmbH in the second quarter of 2019,
- The sharp fall in zinc and lead prices expressed in euros.

In this new context, the German subsidiary Weser-Metall GmbH (WMG) initiated from July 2019 technical and operational feasibility studies of various investment projects and measures aimed at stabilizing the operation of the foundry with its two furnaces, further improving its production and enabling it to become profitable. These studies were also necessary in order to update the financial assumptions and forecasts of the German sub-group for the period 2022 to 2024 (date of the initial maturity of the financing obtained in 2016) and to enable discussions with all the financial partners to be resumed on these new bases and to determine whether a global financing agreement is possible.
In order to enable this action plan to be carried out, a new short-term financing was requested in July 2019 by the German sub-group from Glencore International AG in the amount of €16.0 million, covering the period during which these studies are being carried out and the financial forecasts are being updated up to November 30, 2019.

At the same time, the German sub-group obtained from its financial partners:

- an extension to November 30, 2019 of their early termination rights, as well as the extension until the same date of the repayment dates initially scheduled for December 31, 2018, March 31, 2019, June 30, 2019 and September 30, 2019;
- an extension to November 30, 2019 of the maturity date of the bridge financing granted by Glencore International AG, previously set at June 30, 2019, for a total amount of €27 million.

At the end of October 2019, Weser-Metall GmbH announced a delay in its technical studies and tests carried out and in updating the financial assumptions and forecasts of the German sub-group due to the longer than initially expected time required to carry out the technical studies and tests aimed at recovering a wider range of metals contained in particular in electronic scrap, in addition to the lead-rich materials usually used. In order to finalize these studies and related financial forecasts, the Group obtained an increase in bridge financing of €6.2 million (over November 2019) and then €7.5 million (for the period until December 20, 2019), bringing the total amount of bridge financing obtained from Glencore International AG to €40.7 million. 40.7 million. The Group also obtained:

- from Glencore International AG the extension of the maturity date of this bridge financing ('40.7 million) as well as the additional financing of €16.0 million at December 20, 2019,
- from the banks a deferral to December 20, 2019 of the early termination rights in respect of the financing obtained in December 2016, as well as the deferral until the same date of the repayments due at December 31, 2018, March 31, 2019, June 30, 2019, and September 30, 2019 for a total amount of €8.0 million.

Following the discussions with the financial partners in December 2019, the Group initiated the study of asset disposals concerning Norzinco GmbH and Weser-Metall GmbH in addition to PPM Pure Metals GmbH in order to restructure the debt of the German sub-group, as well as the study of the impact of these proposed disposals on its business model and the associated strategic developments with a view to continuing the Group's remaining activities.

In this context, a new schedule of discussions with the financial partners was established until April 30, 2020, and the Group obtained a position from the financial partners in February 2020 in relation to the progress of the disposal projects enabling debt restructuring:

- the extension of the maturity date and early termination rights until April 30, 2020
- the extension of the bridge financing for an amount of €20.7 million with Glencore International AG bringing its total amount to €61.4 million with a maturity date of April 30, 2020

On February 21, 2020, the Group obtained an extension of this discussion schedule until May 31, 2020 subject to a review of the progress of the disposal projects by the financial partners in mid-March 2020. At the same time, the Group also obtained:

- from Glencore International AG an extension of the existing bridge financing in the amount of €4.4 million to cover identified cash requirements until May 31, 2020 (compared to April 30, 2020 previously). The bridge financing is therefore increased to €65.8 million (compared to €61.4 million previously). Glencore International AG has also extended the maturity date of the bridge financing as well as that of the additional financing to May 31, 2020 ('16.0 million).
- from the bank consortium the deferral to May 31, 2020 of their rights of early termination of the 2016 financing, as well as the deferral until the same date of the repayments due on December 31, 2018, March 31, 2019, June 30, 2019, September 30, 2019, December 31, 2019 and March 31, 2020 for a total amount of €12.0 million, as well as the interest due on December 31, 2019 and March 31, 2020 for a total amount of approximately €5.5 million.

On March 19, 2020, the Group announced that the overall review of the status of asset disposal projects, previously scheduled for mid-March 2020, will now take place at the end of April 2020.

On 15 April 2020 the German sub-group informed its financial partners of the delay in completing the disposal processes, in particular of Weser Metall GmbH, mainly due to the restrictions caused by the SARS-CoV-2 pandemic.

In this context, on 7 May 2020 the German sub-group obtained an extension of the timetable for the ongoing discussions to 30 June 2020 (compared to 31 May 2020 previously) as well as:

- from Glencore International AG an extension of the existing bridge financing in the amount of €6.5 million in order to cover the cash requirements identified until June 30, 2020 (compared to May 31, 2020 previously). The bridge financing would thus be increased to €72.3 million (compared to €65.8 million previously). An extension to the same date was also obtained from Glencore International AG of the maturity date of the bridge financing as well as that of the additional financing (€16.0 million).
- from the bank consortium a deferral to June 30, 2020 of their early termination rights under the December 2016 financing, as well as the deferral until the same date of the repayments due on December 31, 2018, March 31, 2019, June 30, 2019, September 30, 2019, December 31, 2019 and March 31, 2020 for a total amount of €12.0 million, as well as the interest due on December 31, 2019 and March 31, 2020 for a total amount of approximately €5.5 million.

In addition, the review by the financial partners of the conditions under which their financing could be continued beyond 31 May 2020 has been postponed to mid-May 2020 instead of the end of April 2020.

The asset disposal and debt restructuring processes of the German sub-group described above were then interrupted by the opening of insolvency proceedings at the level of each entity of the German sub-group on 15 May 2020, as described below.

Impacts of the SARS-CoV-2 virus on the Group's activities and opening of insolvency proceedings at the level of the companies of the German subgroup

On March 11, 2020, the World Health Organization declared the outbreak of the SARS-CoV-2 virus (Covid 19) a pandemic. In the context of the containment measures taken to deal with the global SARS-CoV-2 pandemic, metal prices have fallen drastically. Taking into account the macroeconomic outlook and after examining all possible scenarios, it becomes evident that a sufficient recovery cannot be expected in the short to medium term. In particular, zinc price developments have started to jeopardize the zinc activities of the company of the German subgroup Harz-Metall GmbH, resulting in an additional financing requirement for this company alone of 8.6 million for the next two years. This additional financing could not be provided by the group's financial partners (beyond their current commitments) in the context of the ongoing restructuring. Since this new additional financing requirement could not be covered, the prospects of Harz-Metall GmbH being able to continue as a going concern were jeopardized and, as a result of German law, the management of Harz-Metall GmbH was forced to file for insolvency proceedings on 14 May 2020.

The management of all other German entities (Weser-Metall GmbH, Norzinco GmbH and PPM Pure Metals GmbH, Recylex GmbH, C2P Germany GmbH and Recylex Grundstücksverwaltungsgesellschaft mbH) were also obliged to file applications for insolvency proceedings on 14 May 2020 because of the joint liabilities of all entities of the German subgroup towards the financial partners. These applications for the opening of insolvency proceedings were confirmed by decisions of the German District Court of Göttingen on 15 May 2020. It should be noted that the Recylex Group's French companies are not within the scope of these proceedings under German law.

The "protective shield" procedure (defined in Article 270 b (1) of the German Insolvency Code - first sentence) was chosen for the German operating entities (Weser-Metall GmbH, Harz-Metall GmbH, Norzinco GmbH and PPM Pure Metals GmbH) and the "direct management" procedure for the other German entities (Recylex GmbH, C2P Germany GmbH and Recylex Grundstücksverwaltungsgesellschaft mbH (property management company)). The purpose of the application to initiate 'protective shield' procedures is the continuation of business and the implementation of a restructuring process specific to each of the entities, and thus to enable the entities concerned to survive once the SARS-CoV-2 pandemic has been overcome.

The opening of insolvency proceedings by the legal entities of the German subgroup has the following major consequences at the level of the parent company Recylex S.A.:

- on one hand, the loan of €16 million granted in 2014 by Glencore International AG to Recylex S.A. may become due at any time, in particular insofar as since 2016 it is linked to the financing of the German subgroup. The Group has obtained a waiver from Glencore International AG until October 31, 2020 of its right to declare this loan immediately due and payable. This postponement may be extended conditionally beyond October 31, 2020, in particular during the phase of the insolvency proceedings of Weser-Metall GmbH, insofar as Recylex S.A. continues to sell secondary materials to Weser-Metall GmbH.
- In addition, as from the decisions of the German Insolvency Court opening the insolvency proceedings, Recylex S.A. definitively loses control of the German entities, resulting in the deconsolidation of the entire German in the scope of its consolidated financial statements.

Changes in the scope of consolidation

The loss of control is indeed a direct consequence of the decisions of the German Insolvency Court to open insolvency proceedings. With the court's decisions, all powers are fully transferred to the Managing Directors of the German entities and the appointed insolvency administrator. As the consolidation criteria provided for in IFRS 10 are no longer met, Recylex S.A. will have to deconsolidate all German entities subject to insolvency proceedings as of May 15, 2020, i.e.:

- Lead segment: Weser-Metall GmbH (primary smelting activity of the Group) and Harz-Metall GmbH (ULAB recycling activity),
- Zinc segment: the dust recycling activity of Harz-Metall GmbH and Norzinco GmbH (zinc waste recycling activity),
- Specialty Metals Segment: PPM Pure-Metals GmbH (activity of production of special metals),
- Plastics segment: C2P GmbH (polypropylene waste recycling business)
- Other activities: Recylex GmbH (holding activity in Germany) and Recylex Grundstücksverwaltungsgesellschaft mbH (property management company).

In order to assess the 2018 consolidated figures in the context of the Group's new scope of consolidation following the opening of insolvency proceedings and the loss of control of the German entities in May 2020, the Group shows below certain key aggregates for the German sub-group that will be deconsolidated, it being specified that these figures have been established for information purposes by operating segment on the basis of the consolidated financial statements at December 31, 2018:

Income Statement items (In thousands of euros)	Lead	Zinc	Special Metals	Plastics	Other businesses	Elimina-tions	Total
Sales to external customers	235,874	96,307	19,173	2,013	0		353,368
Inter-segment sales	2,743	919	100	326	2,435	-6,523	0
Total sales (IFRS)	**238,617**	**97,226**	**19,273**	**2,339**	**2,436**		**359,891**
Restatement following application of IFRS 10 & 11	0	0	0	0	0		0
Total sales restated under IFRS 10 & 11	**238,617**	**97,226**	**19,273**	**2,339**	**2,436**		**359,891**
EBITDA (IFRS)	**-24,639**	**14,965**	**520**	**-496**	**-2,545**		**-12,195**
Restatement following application of IFRS 10 & 11	0	0	0	0	0		0
AWC - LIFO adjustment	235	0	0	0	0		235
EBITDA restated for LIFO and IFRS 10 & 11	**-24,404**	**14,965**	**520**	**-496**	**-2,545**		**-11,960**
Depreciation, amortization and impairment losses (LIFO)	-3,606	-3,246	-351	-59	304		-6,958
Restatement following application of IFRS 10 & 11	0	0	0	0	0		0
Operating income / (loss) before non-recurring items restated for LIFO and IFRS 10 & 11	**-28,010**	**11,719**	**169**	**-555**	**-2,241**		**-18,918**
LIFO - AWC adjustment	-235	0	0	0	0		-235
Restatement following application of IFRS 10 & 11	0	0	0	0	0		0
Operating income / (loss) before non-recurring items (IFRS)	**-28,245**	**11,719**	**169**	**-555**	**-2,241**		**-19,153**

Balance sheet items (In thousands of euros)	Lead	Zinc	Special Metals	Plastics	Other businesses	Total
Property, plant and Equipment & Intangible assets	25,533	12,484	1,291	0	921	40,230
Other non-current assets	1,094	1,094	609	0	25	2,822
Total non-current assets	**26 627**	**13,578**	**1,899**	**0**	**946**	**43,051**
Inventories	10,613	12,449	7,430	549	0	31,041
Trade receivables	14,549	3 228	1,342	153	0	19,271
Other current assets	2,850	920	118	12	4,522	8,423
Cash and cash equivalents	2,889	214	470	0	818	4,391
Total current assets	**30,901**	**16,811**	**9,360**	**713**	**5,340**	**63,126**
Interest-bearing borrowings	0	0	0	0	0	0
Provisions	1,031	2,163	26	0	5,100	8,320
Employee benefits	17,286	1,862	2 888	41	9,162	31,239
Other non-current liabilities	10,700	0	0	0	5,000	15,700
Total non-current liabilities	**29,017**	**4 026**	**2,914**	**41**	**19,262**	**55,259**
Interest-bearing borrowings - current part	44,883	2,393	359	0	25,800	73,435
Provisions - current part	555	178	20	0	409	1,162
Employee benefits - current part	914	169	167	0	753	2,002
Other current liabilities - current part	36,262	5,825	2,312	215	1,272	45,887
Total curent liabilities	**82,615**	**8,564**	**2,858**	**215**	**28,234**	**122,487**

As a result, the Recylex group will, from that moment on, be constituted solely of:

- Lead segment: Recylex S.A.'s ULAB recycling activities. (Villefranche and Escaudoeuvres plants)
- Plastics segment: C2P S.A.S.'s polypropylene waste recycling activity.
- Zinc segment: 50% joint venture in Recytech S.A. accounted for by the equity method in the Group's consolidated financial statements.
- Recylex S.A.'s holding company activity.

In order to assess the 2018 consolidated figures in the context of the Group's new scope of consolidation following the opening of insolvency proceedings and the loss of control of the German entities in May 2020, the Group shows below certain key aggregates of the 2018 financial information, excluding entities of the German sub-group subject to insolvency proceedings, it being specified that these figures have been established for information purposes by operating segment on the basis of the consolidated financial statements at 31 December 2018 :

Income Statement items (In thousands of euros)	Lead	Zinc	Special Metals	Plastics	Other businesses	Elimina-tions	Total
Sales to external customers	73,816	0	0	10,867	35		84,718
Inter-segment sales	2,187	0	0	0	0	-2,187	0
Total sales (IFRS)	**76,003**	**0**	**0**	**10,867**	**35**		**86,905**
Restatement following application of IFRS 10 & 11	0	25,312	0	0	0		25,312
Total sales restated under IFRS 10 & 11	**76,003**	25,312	**0**	**10,867**	**35**		**112,217**
EBITDA (IFRS)	**4,851**	**0**	**0**	**229**	**-4,946**		**134**
Restatement following application of IFRS 10 & 11	0	15,296	0	0	0		15,296
AWC - LIFO adjustment	0	0	0	0	0		0
EBITDA restated for LIFO and IFRS 10 & 11	**4,851**	**15,296**	**0**	**229**	**-4,946**		**15,431**
Depreciation, amortization and impairment losses (LIFO)	-951	0	0	-424	-123		-1,497
Restatement following application of IFRS 10 & 11	0	-888	0	0	0		-888
Operating income / (loss) before non-recurring items restated for LIFO and IFRS 10 & 11	**3,901**	**14,409**	**0**	**-195**	**-5,069**		**13,046**
LIFO - AWC adjustment	0	0	0	0	0		0
Restatement following application of IFRS 10 & 11	0	-14,409	0	0	0		-14,409
Operating income / (loss) before non-recurring items (IFRS)	**3,901**	**0**	**0**	**-195**	**-5,069**		**-1,363**

Balance sheet items (In thousands of euros)	Lead	Zinc	Special Metals	Plastics	Other businesses	Total
Property, plant and Equipment & Intangible assets	6,326	0	0	2,461	1,606	10,393
Other non-current assets	10	13,398	0	0	40	13,449
Total non-current assets	**6,336**	**13,398**	**0**	**2,461**	**1,646**	**23,842**
Inventories	9,698	0	0	1,516	0	11,215
Trade receivables	10,571	0	0	1,802	35	12,408
Other current assets	3,984	0	0	86	644	4,715
Cash and cash equivalents	914	0	0	990	57	1,961
Total current assets	**25,168**	**0**	**0**	**4,394**	**736**	**30,299**
Interest-bearing borrowings	0	0	0	0	16,000	16,000
Provisions	0	0	0	0	12,505	12,505
Employee benefits	139	0	0	234	59	432
Other non-current liabilities	0	0	0	0	32,999	32,999
Total non-current liabilities	**139**	**0**	**0**	**234**	**61,564**	**61,936**
Interest-bearing borrowings - current part	0	0	0	0	110	110
Provisions - current part	0	0	0	0	4,249	4,249
Employee benefits - current part	18	0	0	12	8	38
Other current liabilities - current part	3,567	0	0	1,186	6,832	11,584
Total current liabilities	**3,585**	**0**	**0**	**1,198**	**11,199**	**15,981**

Financial position of Recylex S.A. and going concern assessment

Recylex S.A.'s receivables against the German subgroup as of the date of opening of the insolvency proceedings are as follows:

- €10.7 million in respect of a loan to Weser-Metall GmbH in 2016,
- €5.0 million in respect of a loan to Recylex GmbH, the amount of which was released in 2017 and 2018, it being specified that Recylex S.A. has a debt resulting from the continuation plan amounting to €2.8 million which it intends to offset with this loan,
- €5.4 million in respect of trade receivables from Weser-Metall GmbH.

These receivables will most likely not be recovered due to the opening of insolvency proceedings of the German entities.

As Recylex S.A.'s main customer is Weser-Metall GmbH, Recylex S.A.'s ability to continue operating is dependent on Weser-Metall GmbH's ability to continue its business and to continue sourcing secondary materials from Recylex S.A. Recylex S.A.'s objective is to remain a key supplier to Weser-Metall GmbH and to continue to seek other outlets.
Recylex S.A. has established new short-, medium- and long-term financial prospects to take into account the known impacts to date of the insolvency proceedings at the level of the German entities and the new scope of its activities. This new outlook is based on the following assumptions:

- The continuation of the activity of Weser-Metall GmbH and the continued supply of secondary materials to the Weser-Metall GmbH foundry (now outside the Recylex Group) by Recylex S.A.,
- The extension beyond October 31, 2020 of the maturity date of the loan of €16 million granted in 2014 by Glencore International AG, a postponement conditional on Recylex S.A. continuing to supply Weser-Metall GmbH with secondary materials,
- The suspension of financial interest on the €16 million loan granted by Glencore International AG for at least the next 12 months, as well as the adjustment of the repayment and medium-term interest terms,
- The temporary suspension of the plan for payment of the fine to the European Commission and the adjustment of the payment schedule in order to be compatible with Recylex S.A.'s new cash flow forecasts,
- The acceptance by the competent authorities of the temporary suspension of the rehabilitation work at the L'Estaque site until December 31, 2021 and the postponement of the completion date of the work until December 31, 2024.

Assessment of liquidity risk

In complement of the risk of non-realization of the assumptions described above, Recylex S.A.'s cash flow forecasts may be impacted by the following factors in this new environment:

- the forecast volumes of secondary raw materials of Weser-Metall GmbH (now a third party customer), which represents Recylex S.A.'s almost unique customer to date,
- changes in commercial conditions for secondary materials (treatment charges),
- the evolution of lead and zinc prices and the €/USD exchange rate, as Recylex S.A.'s business is highly sensitive to changes in these parameters,
- changes in volumes and prices of used lead-acid batteries, as Recylex S.A.'s sales margin and cash flow generated by its business are highly dependent on these parameters;
- financial income, in particular dividends received from Recytech S.A. (equity accounted company), whose results are highly sensitive to the level of the zinc price,
- expenditure related to the commitment to rehabilitate Estaque site and former mining sites,
- the progress of ongoing legal proceedings against Recylex S.A. and contingent liabilities (see notes 1 and 38).
- developments in the recycled polypropylene market and their impact on the business of the subsidiary C2P S.A.S., Recylex S.A.'s sole outlet for the sale of polypropylene residues from battery recycling.

Refer to Note 2 “Accounting policies and application of IFRS” paragraph “Going concern” for the application of the going concern principle adopted for the preparation of the consolidated financial statements for the year ended December 31, 2018.

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NOTE 40 - FEES PAID TO STATUTORY AUDITORS

	Deloitte				KPMG			
(in euros)	Amount		%		Amount		%	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Audit								
Recylex SA	155,000	183,000	29%	35%	155,000	183,000	92%	93%
Subsidiaries	376,000	340,817	71%	65%	12,000	-	8%	7%
Sub-total	***531,000***	***523,817***	***100%***	***100%***	***167,000***	***183,000***	***100%***	***100%***
Other services								
Recylex SA	-	-	0%	0%	45,100	17,500	100%	89%
Subsidiaries	78,000	120,000	100%	100%	-	-	0%	11%
Sub-total	***78,000***	***120,000***	***100%***	***100%***	***45,100***	***17,500***	***100%***	***100%***
TOTAL	**609,000**	**643,817**	**100%**	**100%**	**212,100**	**200,500**	**100%**	**100%**

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users. This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

To the Recylex S.A. Annual General Meeting,

Disclaimer of opinion

In accordance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Recylex S.A. for the year ended December 31, 2018.

These financial statements were approved by the Board of Directors on June 12, 2020 on the basis of the information available at that date in the evolving context of the Covid-19 health crisis.

We do not express an opinion on whether the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of December 31, 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union. Due to the significance of the matters described in the section "Basis for disclaimer of opinion", we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated financial statements.
This disclaimer of opinion is consistent with our report to the Audit Committee.

Basis for disclaimer of opinion

As disclosed in the notes to the consolidated financial statements ("Going concern" section of Note 2, "Accounting policies and application of IFRS", Section 32.5, "Liquidity risk" of Note 32, "Financial risk management" and Note 39, "Post-balance sheet events"), the Group's financial and operational difficulties, and in particular those met by the German sub-group and the Weser-Metall GmbH foundry, as well as the impacts of the Covid-19 global pandemic on metal prices and more specifically on the price of zinc, led these entities to:

- recognize that the ability to continue as a going concern was significantly impaired, as the new financing requirements generated by this situation could not be covered by their financial partners;
- file a request to open insolvency proceedings. This request was granted by the Göttingen German Court on May 20, 2020.

This procedure led to the immediate loss of control by the Group of its German subsidiaries and, therefore, their deconsolidation from that date. The Recylex Group is thus currently limited to its French businesses that is, Recylex S.A.'s two used lead battery recycling plants, C2P S.A.S. and the 50% stake in Recytech S.A.

In this context, the Group reassessed its future outlook, which is based on a certain number of assumptions, items and ongoing actions, including:

- continuation of Weser-Metall GmbH's activity and of the supply of secondary materials by Recylex S.A to the Weser-Metall GmbH foundry (now outside the Recylex Group),
- changes in the commercial terms and conditions of secondary materials (processing costs), lead and zinc prices and the €/USD exchange rate, as Recylex S.A.'s activity is highly sensitive to changes in these variables,
- changes in used lead battery volumes and purchase prices, as the commercial margin and cash generated by Recylex S.A.'s activity is heavily dependent on these variables,
- extension beyond October 31, 2020 of the deferral of the maturity date of the €16 million loan granted in 2014 by Glencore International AG, conditional on the continued supply by Recylex S.A. of secondary materials to Weser-Metall GmbH,
- suspension of interest on the €16 million loan granted by Glencore International AG for at least the next 12 months, and adaptation of repayment and interest conditions in the mid-term,
- financial income and notably dividends received from Recytech S.A. (equity associate), whose results are highly sensitive to zinc prices,
- developments in ongoing legal procedures against Recylex S.A. and contingent liabilities (see Notes 1 and 38),

- temporary suspension of the payment plan for the European Commission fine and changes to the payment schedule to make it compatible with Recylex S.A.'s new cash forecasts,
- acceptance by the competent authorities of the temporary stoppage of rehabilitation work at the Estaque site until December 31, 2021 and the deferral of the completion date thereof to December 31, 2024.

There are no indications allowing the attainment of the assumptions and items adopted or the outcome of ongoing actions to be foreseen. A material uncertainty therefore exists, casting doubt on the Company's ability to continue as a going concern. Should the assumptions and items adopted not be confirmed or the outcome of ongoing actions be unfavorable, the application of French accounting rules and methods in a normal context of going concern, notably for the assessment of assets and liabilities, could prove inappropriate.

Emphasis of matter

We draw your attention to Note 2, "Accounting policies and application of IFRS" to the consolidated financial statements, which details the impact of the first-time application of IFRS 9, "Financial instruments'" and IFRS 15, "Revenue from contracts with customers", standards adopted by the European Union and applicable for fiscal years beginning on or after January 1, 2018.

Justification of Assessments - Main Audit Items

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*code de commerce*) relating to the justification of our assessments, we inform you that, given the disclaimer of opinion detailed above, we have no main audit items to bring to your attention relating to risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period, other than those detailed in the section "Basis for disclaimer of opinion".

Specific verifications

As required by law and regulations, we have also verified, in accordance with professional standards applicable in France, the information pertaining to the Group presented in the management report of the Board of Directors issued on June 12, 2020.

We have the same matters to report on the fair presentation and the consistency with the consolidated financial statements of the information given in the management report of the Board of Directors and in the other documents addressed to shareholders with respect to the financial position and the financial statements, as disclosed in the section "Basis for disclaimer of opinion".

We attest that the consolidated non-financial performance statement required by Article L. 225-102-1 of the French Commercial Code (*code de commerce*) is included in the Group management report. Pursuant to Article L. 823-10 of this Code, we have not verified the fair presentation or consistency of the information contained in this statement with the consolidated financial statements, which must be the subject of a report by an independent third-party.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Metaleurop S.A. (which became Recylex S.A. in 2007) by the Annual General Meeting of March 30, 2000 for Deloitte & Associés and of February 13, 1995 for KPMG S.A.
As of December 31, 2018, Deloitte & Associés and KPMG were in the 19th year and 25th year of total uninterrupted engagement, respectively, considering the successive terms of office between legal entities of the same network.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.
The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and, where applicable, its internal audit, regarding the accounting and financial reporting procedures.
The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our role is to conduct an audit in accordance with professional standards applicable in France and to issue a report on the financial statements.

We conducted our engagement in compliance with independence rules applicable to us, for the period from January 1, 2018 to the issue date of our report and in particular we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) no. 537/2014 or in the French Code of ethics for statutory auditors.

Furthermore, the non-audit services we provided during the year to your Company and the entities it controls that are not mentioned in the management report or the notes to the consolidated financial statements were as follows:

- Issue of an independent third-party report on the social, environmental and societal information stipulated in Article L.225-102-1 of the French Commercial Code (services rendered by KPMG),
- Issue of attestations on the accounting and financial information and provision of tax services authorized by local legislation (services rendered by Deloitte in Germany)

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the main audit items that we are required to describe in this report.

We also provide the Audit Committee with the declaration referred to in Article 6 of Regulation (EU) no. 537/2014, confirming our independence pursuant to the rules applicable in France as defined in particular by Articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of ethics for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

Paris La Défense, June 15, 2020

The Statutory Auditors

KPMG Audit
Division of KPMG S.A.

Alexandra Saastamoinen
Partner

Deloitte & Associés

Laurent Odobez
Partner

PARENT COMPANY FINANCIAL STATEMENTS AT DECEMBER 31, 2018

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Balance sheet

Assets *In thousands of euros*	Gross	12/31/2018 Depreciation, amortization and charges to/(reversals from) provisions	Net	12/31/2017 Net
Intangible assets	3,425	(3,409)	16	11
Property, plant and equipment	27,909	(19,993)	7,916	7,654
Financial assets				
Equity investments	158,297	(151,725)	6,573	62,590
Loans and advances to investee companies	161,308	(161,308)	0	10,700
Other	3,799	(534)	3,265	2,245
Non-current assets	**354,738**	**(336,969)**	**17,770**	**83,199**
Inventories and work in progress	9,779		9,779	11,589
Advances and down-payments on orders	434		434	385
Trade receivables	14,789	(3,744)	11,045	7,269
Other receivables	7,807	(6,858)	949	4,422
Marketable securities	163	(22)	141	163
Cash and cash equivalents	926		926	355
Current assets	**33,898**	**(10,624)**	**23,273**	**24,184**
Prepaid expenses and deferred charges	33		33	42
Other assets				
TOTAL ASSETS	**388,669**	**(347,593)**	**41,076**	**107,425**

Equity and liabilities *In thousands of euros*	12/31/2018	12/31/2017
Share capital	9,578	9,435
Additional paid-in capital	10,233	7,103
Revaluation reserves	1,455	1,455
Statutory reserves	944	875
Regulated reserves		
Other reserves	660	660
Retained earnings	5,932	(493)
Special tax-allowance provisions	52	67
Net income/(loss) for the period	(65,052)	6,494
Total Equity	**(36,197)**	**25,596**
Provisions for contingencies	7,373	8,376
Provisions for charges	13,038	15,027
Total Provisions	**20,412**	**23,403**
Bank borrowings		
Other financial liabilities	16,110	16,110
Financial liabilities	**16,110**	**16,110**
Trade payables	4,797	5,951
Tax and employee-related liabilities	1,454	1,404
Other liabilities	34,501	34,961
Prepaid income		
Other liabilities	**40,752**	**42,317**
Liabilities	**56,861**	**58,427**
TOTAL EQUITY & LIABILITIES	**41,076**	**107,425**

Income statement

In thousands of euros	12/31/2018	12/31/2017
Sales	75,518	91,122
Provision reversals	4,250	2,040
Other operating revenue and change in inventories	(582)	1,948
Operating revenue	**79,187**	**95,110**
Purchases and change in inventories	(57,092)	(72,839)
Other purchases and external costs	(16,173)	(14,744)
Taxes other than on income	(443)	(667)
Staff costs	(5,387)	(3,535)
Depreciation, amortization and provisions	(3,282)	(2,236)
Operating expenses	**(82,377)**	**(94,021)**
Operating income/(loss)	**(3,190)**	**1,088**
Interest and similar income	11,154	6,545
Provision reversals and expense transfers		82
Financial income	**11,154**	**6,627**
Interest and similar expenses	(1,983)	(1,255)
Charges to provisions	(71,739)	
Financial expense	**(73,722)**	**(1,255)**
Net financial income/(loss)	**(62,568)**	**5,372**
INCOME BEFORE NON-RECURRING ITEMS	**(65,758)**	**6,460**
Net non-recurring gains/(losses) on operating activities	(242)	(34,472)
Net gains/(losses) on capital transactions	2	(84)
Net provision reversal/(charge)	947	34,442
Net non-recurring income/(expense)	**707**	**(114)**
INCOME BEFORE TAX	**(65,052)**	**6,346**
Income tax		148
NET INCOME	**(65,052)**	**6,494**

Cash flow statement

In thousands of euros	12/31/2018	12/31/2017
Net income excluding dividends	(75,452)	494
Depreciation and amortization of non-current assets	961	1,086
Change in provisions	68,863	(484)
Gains and losses on disposals of non-current assets	(2)	84
Operating cash flow	**(5,630)**	**1,180**
Change in inventories	1,810	(2,440)
Change in trade receivables and payables	(4,946)	(5,902)
Net cash from operating activities (A)	**(8,765)**	**(7,162)**
Purchases of non-current assets and increase in related receivables		
• Property, plant and equipment	(1,244)	(961)
• Financial assets	(2,446)	(1,927)
Disposals of non-current assets and decrease in related receivables		
• Property, plant and equipment	18	0
• Financial assets	1,356	911
Net cash from investing activities (B)	**(2,317)**	**(1,977)**
Operating free cash-flow (C = A + B)	**(11,082)**	**(9,139)**
Capital contributions	3,273	7,772
Dividends received	10,400	6,000
Change in financial liabilities		7,258
Change in non-operating assets and liabilities	(2,020)	12,099
NET CASH FROM FINANCING ACTIVITIES (D)	**11,652**	**9,201**
CHANGE IN CASH AND CASH EQUIVALENTS (C + D)	**570**	**62**

Significant events

Recylex S.A.

Recylex S.A. is the parent company of a French industrial group that is a major player in the circular economy in Europe. It is listed on the Euronext Paris (ISIN: FR0000120388 - Ticker: RX) and has industrial activities comprising the collection, processing and recycling of scrap lead batteries, along with holding-company activities as the parent company of a group. It also manages a number of environmental liabilities it inherited from the industrial legacy of the Peñarroya S.A. mining group.

Key events

In 2018, the average lead price in euros fell by 8% relative to 2017, to reach €1,895. Stated in US dollars, the average lead price fell 3.3%. This decline was concentrated mainly in the second half of FY 2018, with the lead price stated in US dollars dropping from an average of USD2,455 in the first half of 2018 to an average of USD2,033 in the second half.

The overall depreciation in the US dollar during 2018 accentuated the extent of the fall in lead prices stated in euros. The average euro/US dollar exchange rate rose by 4.6% from an average of $1.1295 in FY 2017 to an average of $1.1810 in FY 2018.

The Company's battery processing plants handled around 71,300 tons of batteries in FY 2018, below the FY 2017 figure of around 90,000 tons.

Ongoing litigation

The document summarizing the ongoing litigation involving Recylex SA is., updated on June 8, 2020, is available on the Recylex Group's website: *www.recylex.eu* - *Finance* section - *Legal proceedings schedule*. Developments in the main ongoing proceedings during FY 2018 are presented hereinafter.

(i) Former employees of Metaleurop Nord S.A.S.

a) 2010: Claims for damages for dismissal without fair cause and/or for the prejudice of anxiety and breach of a safety obligation

In 2013, the Lens Labor Court ruled that Recylex S.A. was a co-employer of 187 former employees and decided to add damages totaling around €7.1 million to Recylex S.A. 's liabilities under the continuation plan, for which provisions were set aside in the Company's financial statements. Recylex S.A. appealed those decisions, thereby suspending their enforcement.

The Lens Labor Court also ruled in 2013 that Recylex S.A. was a co-employer of six protected former managerial employees, but found that the Lens Labor Court did not have jurisdiction to examine their claims owing to the principle of the separation of judicial and administrative powers. Following the appeal lodged by these protected former employees against the first-instance rulings, the Douai Appeal Court upheld them in rulings on February 21, 2014.

On January 31, 2017, overturning the 187 decisions made by the Lens Labor Court in 2013, the Douai Appeal Court refused to consider Recylex S.A. as the co-employer of the claimants, but nevertheless considered that Recylex S.A. had committed a fault that had caused harm to the former employees of Metaleurop Nord S.A.S. It therefore ordered Recylex S.A. to pay an amount of between €15,000 and €53,000 to each of the 187 former employees of Metaleurop Nord S.A.S. to compensate them for their loss of a chance to keep their jobs, along with €400 in costs, making a total principal amount of €7,759,800. All sums due in respect of these decisions, including principal and interest, were paid by the Company on December 1, 2017, which lodged an appeal against these decisions before the Cour de Cassation.

On May 24, 2018, the Cour de Cassation:

(i) dismissed the appeal lodged by the former employees aimed at challenging the refusal by the Douai Appeal Court to consider Recylex S.A. as their co-employer, and

(ii) reversed and canceled the decisions of the Douai Appeal Court to the extent that they had ordered Recylex S.A. to pay damages to the former employees for loss of the opportunity to remain in employment, referring these cases to the Amiens Court of Appeal to rule on this point.

Furthermore, 91 of the aforementioned 187 claimants had filed additional claims with the Douai Appeal Court for damages for the prejudice of anxiety and breach of a safety obligation, in a total amount of €5.6 million (of which part is provisioned in Recylex S.A. 's financial statements). The Douai Appeal Court decided to stay the proceedings concerning the claims for damages pending the outcome of the current administrative proceedings regarding the inclusion of the Metaleurop Nord S.A.S. site in Noyelles-Godault on the list of facilities entitling asbestos workers to early retirement benefits ("ACAATA benefits"). In connection with these proceedings, the Douai Administrative Appeal Court decided in a definitive ruling on March 2, 2017 that the order adding the site to the list had to be repealed, and a ministerial decree was issued to this end on December 19, 2017 (see section (iii) below). The next hearing before the Douai Court of Appeal, concerning the claims made by the 91 former employees for anxiety prejudice and breach of a security obligation, has been set for November 24, 2020.

b) 2013-2017: 455 claims for damages in respect of the prejudice of anxiety and/or breach of a safety obligation and/or harm arising from the cancellation of dismissal authorization for protected employees and/or disputing dismissal in a total amount of €26.5 million, for which provisions of €3.4 million were set aside.

On October 14, 2016 and October 18, 2016, without waiting for the final outcome of the administrative proceedings regarding the classification of the Noyelles-Godault site on the list of facilities giving an entitlement to ACAATA benefits, and although it had been informed that the Conseil d'Etat had overturned the classification ruling of July 21, 2015, the Lens Labor Court decided to order Recylex S.A. to pay damages to 97 former employees represented by the CGT union, in an amount of between €3,000 and €24,000 each, along with €500 under article 700 of the Civil Procedure Code, representing an aggregate amount of €1,213,500. Recylex S.A. appealed these decisions, which suspended their enforcement. Conversely, claims from seven former non-protected employees were rejected, but two of them appealed.

The Douai Appeal Court overturned on June 29, 2018 the Lens Labor Court rulings of October 14 and 18, 2016 and found that the damages for the prejudice of anxiety can be granted only to former employees of a plant included on the list of facilities eligible for the early retirement allocation for asbestos workers ("ACAATA") and that Recylex S.A. was never included on such list. The Company thus reversed the provision it had set aside to cover the risk. 88 former employees have appealed to the Supreme Court of Appeal of Douai against these decisions.

On January 29, 2020, the Court of Cassation has rejected the appeals of the 88 former employees, thus making the Douai Court of Appeal 's decisions final on June 29, 2018.

Regarding the claims made by approximately 333 other protected and unprotected former employees of Metaleurop Nord S.A.S.:

- The next hearing before the Lens Labour Court (Management section) concerning the claims made by 39 former employees for an initial total amount claimed of approximately €2.5 million, initially scheduled for April 14, 2020, has been postponed sine die due to the SARS-CoV-2 pandemic. In the latest stage of this procedure, the claims amounted to a total of approximately €1.2 million;
- The decisions of the Lens Labor Court (Industry section) concerning the claims made by 294 former employees for an initial total amount of approximately €18.5 million, initially expected to be held on April 24, 2020, were postponed sine die due to the SARS-CoV-2 pandemic. In the latest stage of this procedure, the claims amounted to a total of approximately €9.2 million.

However, in all of these cases, the 333 former employees of Metaleurop Nord S.A.S. sought an exclusive condemnation against Metaleurop Nord S.A.S. and, as a result, held harmless Recylex S.A.

Concerning claims for damages for the prejudice of anxiety brought by 13 former employees of Metaleurop Nord S.A.S. represented by the CGT union, on March 30, 2018, the Lens Labor Court decided to order Recylex S.A. to pay to each of them an amount between €4,000 and €20,000 as damages, along with €500 under article 700 of the Civil Procedure Code, totaling €186,500. Recylex S.A. appealed these decisions, which suspended their enforcement. The next hearing before the Douai Court of Appeal is scheduled for September 15, 2020.

Finally, following the decisions of the Conseil d'Etat of February 7, 2018 and April 13, 2018, which definitively rejected their application for cancellation of dismissal authorizations granted by the Labour Authorities as part of the liquidation of Metaleurop Nord S.A.S., 15 former protected employees of Metaleurop Nord S.A.S. withdrew their action against Recylex S.A. before the Lens Labour Court.

(ii) Application by Recylex S.A. to be joined to proceedings against the cancellation of the dismissal authorizations concerning former protected employees of Metaleurop Nord S.A.S.

The claims for damages for losses arising from cancellation of the dismissal authorization are related to the administrative proceedings commenced by these 15 former protected employees to cancel authorization of their dismissal. Since Recylex S.A. had never been called to appear or represented in connection with this administrative procedure, it applied in January 2015 to be joined to the proceedings being heard by the Douai Administrative Appeal court with a view to overturning this cancellation by the Lille Administrative Court on October 2, 2013.

The Conseil d'Etat decided on February 7, 2018 and April 13, 2018 to overturn the December 31, 2015 ruling by the Douai Administrative Appeal Court and the decision by the Lille Administrative Court of October 2, 2013, confirming the validity of the dismissal authorizations for these former protected employees in 2003.

(iii) Application by Recylex S.A. to set aside a judgment adversely affecting its interests concerning the interministerial orders of November 5, 2013 and March 2, 2016 adding the Metaleurop Nord S.A.S. facility in Noyelles-Godault to the list of asbestos manufacturing, flocking and insulating plants entitling asbestos workers to early retirement benefits ("ACAATA benefits")

The aforementioned claims for damages for the prejudice of anxiety and/or disruption to livelihood and/or breach of a safety requirement are connected with the administrative proceedings initiated in 2003 by Chœurs de Fondeurs (association of former employees of Metaleurop Nord S.A.S.) aimed at classifying the Metaleurop Nord S.A.S. facility in Noyelles-Godault on the list of asbestos manufacturing, flocking and insulating plants giving an entitlement for ACAATA benefits.

On May 13, 2013, the Douai Administrative Appeal Court (i) overturned the ruling of the Lille Administrative Court of July 4, 2012 upholding the decision made on December 23, 2009 by the French labor ministry refusing to add the Metaleurop Nord S.A.S. facility to the list of asbestos manufacturing, flocking and insulating plants, and (ii) ordered the French ministry of labor, employment, professional training and social dialog to add said facility to the list of those giving an entitlement to ACAATA benefits for the period between January 1, 1962 to December 31, 1996. An interministerial order was made on November 5, 2013 for that purpose.

Since Recylex S.A. had never been asked to appear or represented in connection with this administrative procedure, it submitted an application to set aside a judgment adversely affecting its interests to the Douai Administrative Appeal Court related to the latter's May 13, 2013 ruling and an application to the Lille Administrative Court to repeal the aforementioned interministerial order classifying the facility.

On July 21, 2015, the Douai Administrative Appeal Court confirmed the addition of the Metaleurop Nord S.A.S. site in Noyelles-Godault to the list of those eligible for the ACAATA allocation. However, it shortened the eligibility period from January 1, 1962 until December 31, 1989, rather than until December 31, 1996, as was previously the case. On March 2, 2016, an interministerial order amending the order of November 5, 2013 was issued for that purpose, and Recylex S.A. brought proceedings before the Lille Administrative Court seeking the annulment of this new classification-related interministerial order.

On June 27, 2016, pursuant to the proceedings brought by Recylex S.A., the Conseil d'Etat canceled the order by the Douai Administrative Appeal Court of July 21, 2015 insofar as it related to Metaleurop Nord S.A.S.' site in Noyelles-Godault being classified on the list of facilities giving an entitlement to ACAATA benefits for the period from January 1, 1962 to December 31, 1989. The matter was referred back to the Douai Administrative Appeal Court, with a differently constituted bench, which was to re-examine it and make a decision about both the admissibility and merits of the classification request.

On March 2, 2017, the Douai Administrative Appeal Court ruled in Recylex S.A. 's favor and decided to:

- declare its order of May 13, 2013 null and void
- dismiss the application submitted by the Chœurs de Fondeurs association
- enjoin the French ministry of labor, employment, professional training and social dialog to repeal, within two months of notification of that order, the order of November 5, 2013 placing Metaleurop Nord's facility at Noyelles-Godault on the list of facilities giving an entitlement to ACAATA benefits.

Since the order became definitive, and the application by the Chœurs de Fondeurs association was not admitted by the Conseil d'Etat, a ministerial order repealing the classification orders of November 5, 2013 and March 2, 2016 was issued on December 19, 2017. On February 19, 2018, a claim for annulment of this ministerial decree of December 19, 2017 was lodged by former employees of Metaleurop Nord S.A.S., as well as a new request for the classification of the Noyelles-Godault site. On June 26, 2019, the Lille Administrative Court repeal the action for annulment against the inter-ministerial Decree of December 19, 2017.

(iv) Liquidators of Metaleurop Nord S.A.S.

a) Claim for damages against the liquidators

On March 19, 2013, Recylex S.A. commenced proceedings to claim around €22 million in damages before the Béthune Regional Court against the liquidators of Metaleurop Nord S.A.S. for the loss that Recylex S.A. had suffered on account of the fault committed by the liquidators in connection with the dismissals of the former Metaleurop Nord S.A.S. employees, which led to damages being paid by Recylex S.A. to over 550 former employees of Metaleurop Nord S.A.S. To recap, these damages were paid to remedy their dismissal without fair cause and the absence of any efforts to find them other suitable jobs within the company.

On September 18, 2018, the Béthune Regional Court threw out Recylex S.A. 's claim for damages and found that the Metaleurop Nord S.A.S.' liquidators were at fault, in a personal capacity, for not having fulfilled their legal duty to look for other suitable employment during the economic redundancy procedure in 2003 for the former Metaleurop Nord S.A.S. employees. However, the Court found that the liquidators should be exonerated in respect of two-thirds of the corresponding loss, insofar as the legal deadline of 15 days imposed on the liquidators to make the redundancies would have been incompatible with their statutory duty to look for other suitable employment. The Court also held the liquidators harmless from their liability on the grounds that Recylex S.A. itself would have been obliged to look for other suitable employment.

Since both the Court's grounds for exonerating liquidators were totally unfounded in its opinion, Recylex S.A. appealed the decision. The next hearing before the Douai Court of Appeal has been set for October 22, 2020.

b) Claim for damages against Recylex S.A.

On October 17, 2014, the liquidators of Metaleurop Nord S.A.S. summoned Recylex S.A. to appear before the Arras Commercial Court with a view to its being ordered to pay a total principal amount of around €22 million (not provided for in the financial statements), which corresponds to the statutory severance pay, pay in lieu of notice period, paid leave, employers' payroll charges and salaries paid to the former Metaleurop Nord S.A.S. employees by the AGS salary guarantee fund regime.

On April 11, 2018, the Arras Commercial Court ruled in favor of Recylex S.A. It found the claim filed by the liquidators of Metaleurop Nord S.A.S. was inadmissible because the claim was time-barred from March 21, 2013 and also because their alleged claim arose prior to the commencement of Recylex S.A. 's judicial recovery procedure but was not declared on the list of liabilities. The liquidators appealed the decision. The pre-trial hearing for the scheduling of the next hearing for pleadings before the Douai Court of Appeal has been set for June 25, 2020.

No provision has been set aside in the Company's financial statements in relation to these proceedings.

(v) European Commission fine

On June 24, 2015, the Directorate General for Competition of the European Commission sent a statement of objections to Recylex S.A. and its subsidiaries purchasing scrap lead batteries, following an inquiry that started in 2012 regarding anti-competitive practices in the purchasing of scrap lead car batteries.

On February 8, 2017, the European Commission fined Recylex S.A. and its subsidiaries €26.7 million for anti-competitive practices in the purchasing of scrap car batteries, which included a 30% reduction granted by the European Commission as part of its leniency policy adopted in 2006. That amount was fully provisioned in Recylex S.A. 's financial statements at December 31, 2016.

During the second quarter of 2017, after discussions involving all the relevant parties, the European Commission agreed to the staggered payment plan proposed by Recylex S.A., which includes the payment of the fine by Recylex S.A. (the Group's parent company) and the deferral, on a medium- to long-term basis, of the payment of a sizeable proportion of the fine. Under that agreement, Recylex S.A. is paying the fine (principal and interest) according to the timetable set out in the staggered payment plan.

On May 23, 2019, the General Court of the European Union rejected the appeal lodged by Recylex S.A. and its subsidiaries against the European Commission's decision of February 8, 2017.

On July 23, 2019, Recylex S.A. lodged an appeal against this decision before the Court of Justice of the European Union, limited to points of law.

(vi) Claim for damages brought by SNCF Réseau concerning the L'Estaque site

On May 7, 2018, Recylex S.A. announced that SNCF Réseau, a public industrial and commercial institution, had filed a claim in the Marseille Administrative Court to have Recylex S.A. and RETIA SASAU jointly ordered to pay the entire amount necessary for the "complete refurbishment" of the publicly owned rail assets in the L'Estaque section in Marseille.

SNCF Réseau currently assesses the total cost of the works at €70 million encompassing:

- repair work on the entire Tunnel des Riaux and the Tunnel du Rio Tinto at a cost of €17.1 million and €33.4 million respectively
- the demolition and reconstruction of the Viaduct de Vauclair viaduct (€11.4 million) connecting these two tunnels on land belonging to SNCF, which has never housed any industrial installation
- replacement of the track and ballast in these tunnels and on this viaduct (€8.1 million)

Part of the Tunnel des Riaux is located on 15 hectares of land currently undergoing remediation that belongs to Recylex S.A., and the Tunnel du Rio Tinto is located below a (33-hectare) plot of remediated land that belongs to RETIA SASAU.

To recap, the SNCF Miramas-l'Estaque rail line, which was completed in 1915, is more than a century old and was built after the beginning of the industrial operations at the L'Estaque site overlooking it, by Rio Tinto from 1883 and then by Société des Produits Chimiques de Marseille (SPCM) between 1890 and 1914.

Previously in 2001, SNCF had requested a survey of alleged damage, without any effort to establish liability, by an expert appointed by the Marseille Administrative Court, which failed to find any link between the state of the SNCF rail infrastructure and the former industrial installations on the land above.

Recylex S.A. is surprised by this motion, launched in the same court more than ten years after the expert's report was prepared. Recylex S.A., which has not set aside any provisions to cover the associated risks in its financial statements (see Note 38), intends to defend itself vigorously against this claim and to protect its interests in these proceedings. In its opinion, the aim of this claim is to have the last industrial operators of the L'Estaque site pay for the cost of refurbishing a dilapidated rail line.

Cash position and external financing

At December 31, 2018, the Recylex S.A. parent company's available cash position improved slightly to €926,000, compared to €355,000 at December 31, 2017. The Company has prepared cash forecasts based on the information currently available, including forecast expenditures relating to its commitments for the remediation of former mining sites and its L'Estaque site, and repayments linked to the payment of the fine handed down to Recylex S.A. and its subsidiaries by the European Commission in 2017.

To recap, Recylex S.A. concluded:

- an agreement in 2014 for a loan of up to 16 million euros with Glencore International AG to finance the final instalments of the continuation plan. As of December 31, 2018, the Company had drawn down this loan in full. As part of the European Commission's plan to defer payment of the fine, the repayment deadline for this loan has been extended to 2024.
- in 2017, an agreement with the European Commission for the deferral of the payment of a 26.7 million euro fine.

Since the search for financing or specialized partnerships dedicated specifically to remediation works at the L'Estaque site launched in 2013 came to nothing, Recylex S.A. continued the remediation works at the L'Estaque site in 2018 at a cost of €3.1 million.
The total cost of the work yet to be performed was fully covered by €8.8 million in provisions at December 31, 2018, and Recylex S.A. will bear the cost by using its own capital.

Drawings in FY 2018 on the equity line arranged with Kepler Cheuvreux in December 2016 generated net cash flow of €2.5 million through the issue of 250,000 new shares in 2018. The equity line expired on December 31, 2018.

The impact of the Group's German operations on Recylex S.A.'s financial position and the risks facing parent company Recylex S.A. are presented in Notes 32 and 39 to the consolidated financial statements for the year ended December 31, 2018.

Post-balance sheet events

Metaleurop International Finance B.V., a company with no activity wholly owned by Recylex S.A., had been dissolved and liquidated on February 8th, 2019 at the closing date of the liquidation proceedings.

On March 11, 2020, the World Health Organization declared the outbreak of the SARS-CoV-2 virus (Covid 19) a pandemic. In the context of the containment measures taken to deal with the global SARS-CoV-2 pandemic and in light of the sharp slowdown in demand in the Lead segment, measures to adapt the Company's activities to the current outlook have been implemented. Thus, used lead battery recycling plants have been temporarily shut down and "short-time working" measures for employees have been put in place.

In this context of containment measures taken to deal with the global SARS-CoV-2 pandemic, metal prices have fallen drastically. With regards to the German subsidiaries, and taking into account the macroeconomic outlook and after examining all possible scenarios, it becomes evident that a sufficient recovery cannot be expected in the short to medium term. In particular, zinc price developments have started to jeopardize the zinc activities of the company of the German subgroup Harz-Metall GmbH, resulting in an additional financing requirement for this company alone of 8.6 million for the next two years. This additional financing could not be provided by the financial partners (beyond their current commitments) in the context of the ongoing restructuring. Since this new additional financing requirement could not be covered, the prospects of Harz-Metall GmbH being able to continue as a going concern were jeopardized and, as a result of German law, the management of Harz-Metall GmbH was forced to file for insolvency proceedings on 14 May 2020.

The management of all other German entities (Weser-Metall GmbH, Norzinco GmbH and PPM Pure Metals GmbH, Recylex GmbH, C2P Germany GmbH and Recylex Grundstücksverwaltungsgesellschaft mbH) were also obliged to file applications for insolvency proceedings on 14 May 2020 because of the joint liabilities of all entities of the German subgroup towards the financial partners. These applications for the opening of insolvency proceedings were confirmed by decisions of the German District Court of Göttingen on 15 May 2020. It should be noted that Recylex S.A. and its French subsidiaries are not within the scope of these proceedings under German law.

The opening of insolvency proceedings by the legal entities of the German subgroup has the following major consequences for the parent company Recylex S.A.:

- On the one hand, the loan of 16 million euros granted in 2014 by Glencore International AG to Recylex S.A. may become due at any time, in particular as it has been linked to the financing of the German subgroup since 2016. The Group has obtained a waiver from Glencore International AG until October 31, 2020 of its right to declare this loan immediately due and payable. This postponement may be extended conditionally beyond October 31, 2020, in particular during the phase of the insolvency proceedings of Weser-Metall GmbH, insofar as Recylex S.A. continues to sell secondary materials to Weser-Metall GmbH.
- In addition, as of the decisions of the German Insolvency Court opening the insolvency proceedings, Recylex S.A. definitively loses control of the German entities, all powers being fully transferred to the Managing Directors of the German entities and to the insolvency administrator appointed by the Court.

Recylex S.A.'s receivables against its German subsidiaries as of the date of opening of the insolvency proceedings are as follows:

- € 10.7 million in respect of a loan to Weser-Metall GmbH in 2016,
- € 5.0 million in respect of a loan to Recylex GmbH, the amount of which was released in 2017 and 2018, it being specified that Recylex S.A. has a debt resulting from the continuation plan amounting to €2.8 million which it intends to offset with this loan,
- € 5.4 million in respect of trade receivables from Weser-Metall GmbH in respect of the activity in 2020.

These receivables will most likely not be recovered due to the opening of insolvency proceedings of the German entities. The loan to Weser-Metall GmbH (€10.7 million) and the loan to Recylex GmbH (€5.0 million) were fully written down in Recylex S.A.'s accounts as of December 31, 2018.

As Recylex S.A.'s main customer is Weser-Metall GmbH, Recylex S.A.'s ability to continue operating is dependent on Weser-Metall GmbH's ability to continue its business and to continue sourcing secondary materials from Recylex S.A. Recylex S.A.'s objective is to remain a key supplier to Weser-Metall GmbH and to continue to seek other outlets.

Recylex S.A. has established new short-, medium- and long-term financial forecasts to take into account the known impacts to date of the insolvency proceedings at the level of the German entities and the new scope of its activities. This new outlook is based on the following assumptions:

- The continuation of the activity of Weser-Metall GmbH and the continued supply of secondary materials to the Weser-Metall GmbH foundry (now outside the Recylex Group) by Recylex S.A.,
- The extension beyond October 31, 2020 of the maturity date of the loan of €16 million granted in 2014 by Glencore International AG, a postponement conditional on Recylex S.A. continuing to supply Weser-Metall GmbH with secondary materials,
- The suspension of financial interest on the €16 million loan granted by Glencore International AG for at least the next 12 months, as well as the adjustment of the repayment and medium-term interest terms,
- The temporary suspension of the plan for payment of the fine to the European Commission and the adjustment of the payment schedule so that it can be included in Recylex S.A.'s new cash flow forecasts,
- The acceptance by the competent authorities of the temporary suspension of the rehabilitation work at the L'Estaque site until December 31, 2021 and the postponement of the completion date of the work until December 31, 2024.

Assessment of liquidity risk

In complement of the risk of non-realization of the assumptions described above, Recylex S.A.'s cash flow forecasts may be impacted by the following factors in this new environment:

- the forecast volumes of secondary raw materials of Weser-Metall GmbH (now a third party customer), which represents Recylex S.A.'s almost unique customer to date,
- changes in commercial conditions for secondary materials (processing charges),
- the evolution of lead and zinc prices and the €/USD exchange rate, as Recylex S.A.'s business is highly sensitive to changes in these parameters,
- changes in volumes and prices of used lead-acid batteries, as Recylex S.A.'s sales margin and cash flow generated by its business are highly dependent on these parameters;
- financial income, in particular dividends received from Recytech S.A. (equity accounted company), whose results are highly sensitive to the level of the zinc price,
- expenditure related to the commitment to rehabilitate Estaque site and former mining sites,
- the progress of ongoing legal proceedings against Recylex S.A. and contingent liabilities (see notes 1 and 38).
- developments in the recycled polypropylene market and their impact on the business of the subsidiary C2P S.A.S., Recylex S.A.'s sole outlet for the sale of polypropylene residues from battery recycling.

In this context and under the assumptions and risks described above, the financial statements for the year ended December 31, 2018 have been prepared on a going concern basis.

Failure to meet one or more of the assumptions and/or a negative change in one or more of the parameters described above would give rise, depending on its magnitude, to a short-term financing requirement that would no longer be compatible with Recylex S.A.'s aforementioned financial forecast and would require the Company to seek and obtain new financing in order to maintain its cash balance and meet its liabilities in the normal course of business.

As a result, the Company may not be able to realize its assets and liabilities and settle its debts in the normal course of business. Consequently, this situation creates significant uncertainty for the going concern of the Company.

No other events liable to have a material impact on the Company's activities or on its business and financial position occurred between the end of the 2018 financial year and the preparation date of the financial statements for the year ended December 31, 2018.

Notes to the parent company financial statements

The 2018 parent company financial statements have been prepared in accordance with the provisions of the French Commercial Code and with French generally accepted accounting principles (ANC regulation 2016-07). Generally accepted accounting conventions have been applied in accordance with the conservatism principle and with the basic accounting concepts of going concern, consistency of accounting policies and accrual basis, in compliance with general rules for preparing and presenting financial statements. The basic policy used for measuring items recorded in the accounts is the historical cost method.

Assumptions and risk factors affecting the going concern are described in the section "Post Balance Sheet Events".

Given the current backdrop of high market volatility, especially in the price of lead, and the degree of difficulty involved in predicting the economic outlook, the accounting estimates used in the preparation of the financial statements for the financial year to December 31, 2018 are based on the best current estimates of the Company's management.

1. Accounting policies

1.1. Intangible assets

Intangible assets are stated at their purchase cost less accumulated amortization. Intangible assets with a finite useful life are amortized on a straight-line basis over a period corresponding to their useful life (from one to five years).

1.2. Property, plant and equipment

Property, plant and equipment is measured at cost (purchase price and transaction costs), with the exception of property, plant and equipment purchased before December 31, 1976, which has been revalued.
Depreciation is calculated on a straight-line basis over the estimated useful life of the item.
Depreciation periods are as follows:

	Period
Buildings	20 to 30 years
Equipment and tools	5 to 20 years
Other property, plant and equipment	3 to 10 years

Impairment of property, plant and equipment used in production:
Property, plant and equipment is tested for impairment whenever there is evidence of a loss in value.
An impairment loss is recognized if and only if the value in use is not the same as the carrying amount.
Impairment testing consists in comparing the carrying amount of the asset to its recoverable amount, which is obtained by adding up the present value of future cash flows expected from the asset.

1.3. Financial assets

Non-current financial assets are measured at cost. An impairment loss is recognized if their value in use falls below cost. Value in use is determined either by the discounted future cash flow method, or as a share of shareholders' equity. Where necessary, impairment losses are recognized on receivables due from equity investments and security deposits and based on the probability of non-recovery.

1.4. Inventories and work in progress

Raw materials are measured at their purchase cost using the weighted average cost method.
Work-in-progress and finished goods are measured at their weighted average real production cost.
An impairment loss is recognized if the net realizable value of inventories at year-end, which is based mainly on the average lead price in the final month of the financial year, is lower than their cost.

1.5. Receivables

Receivables are recorded at their nominal value and, where necessary, are subject to an impairment based on the probability of non-recovery.

1.6. Marketable securities

Marketable securities comprise treasury shares measured at cost. Where the market price is lower than cost, an impairment loss is recognized. This is calculated as the difference between the carrying amount of the securities and their average market price in the final month of the financial year.

1.7. Provisions for contingencies and charges

Provisions for contingencies and charges are created to cover probable outflows of resources to third parties without a corresponding economic benefit for Recylex S.A. They are measured in accordance with the CRC 2000-06 standard of December 7, 2000 covering liabilities. They mainly concern site remediation work, severance pay and benefits payable to employees under the early retirement plan for the mining industry, pensions, end-of career allowances, long-service awards and other miscellaneous risks. These provisions are estimated using the most likely assumptions. Where the expected outflows of resources are likely to take place over the long term (more than 5 years in general), the liability is discounted to present value.

1.7.1. Environmental provisions

Environmental provisions are set aside where there is a legal or regulatory obligation. In most cases, this relates to the remediation of closed sites. These provisions are assessed on the basis of the Company's mining and metalworking experience and of external cost estimates, when such estimates are available.

1.7.2. Pension and post-employment obligations

Pension and post-retirement obligations are measured using the projected unit credit method. This method takes account of length of service and the probability of the employee being employed by the Company at retirement date. These obligations are fully provisioned.

2. Notes to the balance sheet

2.1. Property, plant and equipment and intangible assets

2.1.1. Intangible assets

In thousands of euros	01/01/2018	Acquisitions/ Increases	Disposals Reversals	Other movements	12/31/2018	*Of which: revaluation of 1976*
Patents, licenses and concessions	205	10			215	
Software	3,210				3,210	
Gross value	**3,415**	**10**	**0**	**0**	**3,425**	
Patents, licenses and concessions	203	1			204	
Software	3,202	4			3,205	
Amortization	**3,405**	**5**	**0**	**0**	**3,409**	
Net value	**11**	**5**	**0**	**0**	**16**	

2.1.2. Property, plant and equipment

In thousands of euros	01/01/2018	Acquisitions/ Increases	Disposals Reversals	Other movements	12/31/2018	*Of which: revaluation of 1976*
Land	3,197	120			3,318	*1,479*
Buildings	10,024	388	(23)	188	10,576	*376*
Plant, equipment and tools	9,032	513	(56)	36	9,524	*28*
Other	4,272	39	(81)		4,229	*2*
Property, plant and equipment in progress	310	175		(223)	262	
Gross value	26,835	**1,234**	**(161)**	**0**	**27,909**	***1,886***
Land	893	19			912	*24*
Buildings	7,309	368	(16)		7,661	*376*
Plant, equipment and tools	7,289	359	(48)		7,597	*28*
Other	3,693	211	(80)		3,823	*2*
Amortization	**19,181**	**957**	**(144)**	**0**	**19,993**	***430***
Land	0				0	
Buildings	0				0	
Plant, equipment and tools	0				0	
Other	0				0	
Impairment	0	**0**	**0**	**0**	**0**	**-**
Net value	7,654	**278**	**(16)**	**0**	**7,916**	***1,455***

2.2. Financial assets

In thousands of euros	01/01/2018	Acquisitions /Increases	Disposals Reversals	Other movements	12/31/2018	*Of which: revaluation of 1976*
Equity investments[(1)]	158,297				158,297	*9,940*
Receivables from investee companies	161,308				161,308	
Other long-term securities	123				123	
Other [(3)]	2,586	2,446	(1,356)		3,676	
Gross value	**322,314**	**2,446**	**(1,356)**		**323,404**	***9,940***
Equity investments[(1)]	95,708	56,017			151,725	*9,940*
Receivables from investee companies	150,608	10,700			161,308	
Other long-term securities [(2)]	114				114	
Other	350	70			420	
Impairment provisions	**246,780**	**66,787**			**313,567**	***9,940***
Net value	**75,534**	**(64,341)**	**(1,356)**		**9,838**	-

(1) €56,017,000 charge following an asset impairment at December 31, 2018. The Company recognized an impairment loss on the shares held in the German sub-group following the sub-par performance of the German units, including the Weser Metall GmbH lead smelter, the profitability outlook for which had to be revised downwards. As a result, the value of the entity's assets also had to be revised downwards (see Note 5 to the consolidated financial statements for the year ended December 31, 2018). After taking this impairment into account, the net value of the German entities' equity investments is nil at December 31, 2018.
(2) €10,700,000 following the impairment of a loan granted to the subsidiary Weser-Metal GmbH. The €10,700,000 loan granted to its subsidiary Weser-Metal GmbH was written down in full given the prospects of non-recovery in view of the subsidiary's financial situation.
(3) This principally reflects financial guarantees connected with notifications concerning cross-border shipments of waste.

2.3. Inventories and work in progress

In thousands of euros	12/31/2018	12/31/2017
Raw materials and other supplies	1,073	2,267
Finished and semi-finished goods[(1)]	8,706	9,322
Gross value	**9,779**	**11,589**
Impairment provisions		
Net value	**9,779**	**11,589**

2.4. Receivables and prepaid expenses at the end of the financial year

		Degree of asset liquidity	
In thousands of euros	12/31/2018 Gross	Maturities of less than one year	Maturities of more than one year
Receivables from non-current assets			
Loan and advances to investee companies	161,308		161,308
Loans			
Other non-current financial assets[(1)]	3,676	3,214	462
Operating receivables			
Trade receivables[(2)]	14,789	11,478	3,311
Other receivables[(3)]	8,241	8,241	
Prepaid expenses	33	33	
Total	**188,047**	**22,966**	**165,081**

(1) Including guarantees connected with notifications concerning cross-border waste shipments: €3,214,000.
(2) Doubtful receivables provisioned: €3,744,000
(3) Including advances and downpayments on orders €434,000

2.5. Share capital

2.5.1 Share capital and additional paid-in capital

The Company's share capital amounted to €9,577,998 and comprised 25,886,482 fully paid-up shares with par value of €0.37 each at December 31, 2018.

	Number of shares outstanding	Par value *(in euros)*	Share capital *(in euros)*
At January 1, 2018	25,500,482	0.37	9,435,178
New ordinary shares issued	386,000	0.37	142,820
At December 31, 2018	**25,886,482**	**0.37**	**9,577,998**

(1) Under the equity line arranged with Kepler Cheuvreux, pursuant to the authority delegated by the Combined Shareholders' Meeting of September 15, 2016 (Fifth resolution) and the Board of Directors' meeting of November 30, 2016, the warrants exercised led to the issue during FY 2018 of 250,000 new shares for a total amount of €2,497,677 (€92,500 in share capital and €2,405,177 in share premiums). There are no exercisable warrants as of December 31, 2018.
In addition, 136,000 shares were issued in FY 2018 following the exercise of stock options (09/26/2008 plan).

2.5.2 Statement of changes in equity

The following table shows the changes in the Company's equity:

In thousands of euros	12/31/2017	Appropriation of 2017 income	Other movements in the period	12/31/2018
Share capital[(1)]	9,435		143	9,578
Additional paid-in capital	7,103		3 130	10,233
Revaluation reserves	1,455			1,455
Statutory reserve	875	68		944
Regulated reserves				
Other reserves	660			660
Retained earnings	(493)	6,425		5,932
Special tax-allowance provisions	67		(14)	52
Net income/(loss) for the period	6,494	(6,494)	(65,052)	(65,052)
Total	**25,596**	**0**	**(61,793)**	**(36,197)**

(1) See note to share capital

2.5.3 Shareholding structure

At December 31, 2018, ownership of the Company's shares and associated voting rights making up its capital was as follows:

	Breakdown of share ownership		Breakdown of voting rights (theoretical*)	
	Number	(in %)	Number	(in %)
Glencore Finance Bermuda Ltd	7,703,877	29.76%	8,944,877	32.89%
Free float	18,158,666	70.15%	18,226,941	67.02%
Treasury shares	23,939	0.09%	23,939	0.09%
Total	**25,886,482**	**100%**	**27,195,757**	**100%**

** Pursuant to Article 223-11 of the AMF's General Regulation, the total number of voting rights is calculated based on all the shares carrying voting rights, including treasury shares, on which the voting rights may not be exercised.*

The 23,939 treasury shares that are not allocated under a bonus share plan gave rise to a €22,000 impairment loss, on the basis of the average market price of Recylex shares in December 2018, i.e. €5.90.

2.5.4 Stock options

On September 26, 2008, the Board of Directors granted stock options to certain Group employees under the authorization given by the Shareholders Meeting of July 28, 2006 up to 3% of the Company's share capital. This stock option plan expired on September 26, 2018, when the 129,500 stock options granted but not exercised automatically became null and void.

At December 31, 2018, no more shares could potentially be issued through the exercise of stock options:

Date of grant	Number of options outstanding at 12/31/2017	Options canceled	Options exercised	Options lapsed	Number of options outstanding at 12/31/2018	Exercise price *(in euros)*	Plan expiration date
09/26/2008	265,500		136,000	129,500	0	5.70	09/26/2018
Total	**265,500**		**136,000**	**129,500**	**0**	**5.70**	

2.6. Provisions (other than those on non-current assets)

In thousands of euros	12/31/2017	Charges for the period	Provisions used	Provisions not used	Other movements	12/31/2018
Environmental costs*(1)*	14,699	2,168	(4,154)			12,713
Restructuring of industrial sites	12		(2)			10
Pension liabilities	296	20	(93)			223
Other (2)	8,395	74	(213)	(791)		7,465
Provisions for contingencies and charges	**23,403**	**2,262**	**(4,462)**	**(791)**		**20,412**
Trade receivables	3,744					3,744
Other	1,799	5,059				6,858
Impairment provisions	**5,543**	**5,059**				**10,602**
TOTAL	**28,946**	**7,321**	**(4,462)**	**(791)**		**31,014**
- operating		2,321	(4,249)	(1)		
- financial		5,000				
- exceptional			(213)	(789)		
Total		**7,321**	**(4,462)**	**(791)**		

(1) Additional charges for remediation work and recurring costs totaling €185,000 for former mines and €1,983,000 for the L'Estaque site. Reversals relating to remediation costs totaling €1,093,000 for former mining sites and €3,061,000 for the L'Estaque site.
(2) Reversal of €213,000 in provisions following the adjustment to the clawback clause. Reversal of €789,000 in provisions for labor court litigation related to the asbestos-related prejudice of anxiety (see paragraph 1 b) concerning ongoing litigation in the note on "significant events").
(3) €5,059,000 for impairment of other receivables: the Company wrote down the entire current account receivable of €5,000,000 euros granted to its subsidiary Recylex GmbH given of the prospects of non-recovery in view of the subsidiary's financial situation.

2.7. Maturity schedule of liabilities

In thousands of euros	12/31/2017 Amount	12/31/2018 Amount	Less than 1 year	One to five years	Over five years
Bank borrowings					
Other borrowings and financial liabilities(1)					
	16,110	16,110	110		16,000
Financial liabilities	**16,110**	**16,110**	**110**		**16,000**
Trade payables					
	5,951	4,797	4,797		
Tax and employee-related liabilities	1,404	1,454	1,454		
Other liabilities(2)	34,961	34,501	1,759	6,244	26,498
Operating liabilities	**42,317**	**40,752**	**8,010**	**6,244**	**26,498**
TOTAL LIABILITIES	**58,427**	**56,861**	**8,120**	**6,244**	**42,498**

(1) Total borrowings correspond to drawings made by Recylex S.A. under the loan facility granted by Glencore International AG to pay the final two installments under the continuation plan and pay the second wave of labor court claims related to Metaleurop Nord S.A.S.
(2) Other financial liabilities include €25,405,000 for the European Commission fine, €7,855,000 reflecting continuation plan liabilities, and €768,000 related to the clawback clause.

Items concerning related companies

In thousands of euros	At 12/31/2018 Net	Of which related companies(1)
Equity investments	6,573	1,708
Loans and advances to investee companies	-	-
Trade receivables	11,045	11,011
Other receivables	949	0
Trade payables	4,797	37
Other financial liabilities	34,501	3,107
Operating revenue	79,187	75,079
Operating expense	82,377	202
Financial income	11,154	725
Financial expense	73,722	71,717

(1) Related companies are those more than 50%-owned (see Note 5).

2.8. Accrued income and unpaid expenses

In thousands of euros	FY 2018	FY 2017
Accrued income included in balance sheet items:		
Trade receivables		9
Other receivables	167	38
Cash and cash equivalents	12	8
Accrued income	**179**	**55**
Unpaid expenses included in balance sheet items:		
Other financial liabilities	110	110
Trade payables	3,114	3,417
Tax and employee-related liabilities	1,266	1,173
Other liabilities	125	299
Unpaid expenses	**4,615**	**4,999**

3. Notes to the income statement

3.1 Sales

By business segment			**By geographical market**		
In thousands of euros	2018	2017	*In thousands of euros*	2018	2017
Production plants	73,816	89,806	France	2,476	2,696
Other	1,702	1,316	Outside France	73,042	88,426
TOTAL	**75,518**	**91,122**	**TOTAL**	**75,518**	**91,122**

3.2 Financial income and expense

In thousands of euros	FY 2018	FY 2017
- Equity investments[1]	10,400	6,000
- Other marketable securities and receivables on assets	726	519
- Other interest and similar income	28	26
- Reversals of provisions		82
Financial income	**11,154**	**6,627**
- Interest and similar expenses		
- Charges to provisions[2]	(71,739)	
- Other interest and similar expenses[3]	(1,983)	(1,255)
Financial expense	**(73,722)**	**(1,255)**
NET FINANCIAL INCOME/(LOSS)	**(62,568)**	**5,372**

(1) Dividends received from Recytech S.A..
(2) €71,717,000 charge of impairment following the German sub-group equity investment impairment at December 31, 2018 for an amount of €56,017,000, the impairment of the loan granted to Weser-Metal GmbH for €10,700,000 and the impairment of the current account receivable granted to Recylex GmbH for €5,000,000
(3) Interest on the Glencore International AG loans and European Commission fine.

3.3 Non-recurring income and expense

In thousands of euros	FY 2018	FY 2017
Other income and expense[1]	(242)	(34,472)
Net income/(expense) on operating activities	**(242)**	**(34,472)**
- Divestments of non-current assets	2	(84)
- Other		
Net income/(expense) on capital transactions	**2**	**(84)**
- Accelerated tax depreciation	14	19
- Provision for asset depreciation		
- Provision relating to the clawback clause[1]	213	104
- Provision for the European Commission fine		26,739
- Provision for Metaleurop Nord S.A.S. litigation (claims of dismissal without fair cause)[2]		7,650
- Provision for Metaleurop Nord S.A.S. litigation (prejudice of anxiety)	789	
- Provisions for various risks	(70)	(70)
Net (charges to)/reversals of provisions	**947**	**34,442**
Net non-recurring income	**707**	**(114)**

(1) Including a €213,000 expense reflecting the recognition of the clawback clause for FY 2018 and the reversal of a provision for this expense.
(2) €789,000 reversal of the provision for the Metaleurop Nord S.A.S. labor court litigation.

4. Other disclosures

4.1 Directors' fees

Directors' fees allocated by the Company to members of the Board of Directors amounted to €640,000 in FY 2018.

4.2 Average headcount

	2018	2017
Workers	8	8
Clerical, technical and supervisory	14	15
Managers	18	15
TOTAL	**40**	**38**

4.3 Pension liabilities and actuarial assumptions

	12/31/2018	12/31/2017
Discount rate	1.65%	1.65%
Pension liabilities - In thousands of euros	180	266

4.4 Off-balance sheet commitments given and undertakings received

In thousands of euros	12/31/2018	12/31/2017
Guarantees and similar commitments[(1)]	16,000	16,000
Forward currency purchases and sales		
Commitments given	**16,000**	**16,000**
Guarantees and similar commitments		
Forward currency purchases and sales		
Undertakings received	**-**	**-**

(1) Recylex S.A. has granted a first-ranking pledge over its shares in Recytech S.A. to Glencore International AG in relation to the €16 million loan facility granted to it, under which €16 million has been drawn down. On December 19, 2016, Recylex S.A. granted a second-ranking pledge over its shares in Recytech S.A. to Glencore International AG to guarantee the repayment of the amount due under the clawback clause (see Note 4.7).

In accordance with the terms required to obtain the €67 million loan granted to the Group's German subsidiaries (the "Loan"), Recylex S.A. has entered into:

a. an agreement under which it has undertaken, for a period ending one year after all sums due under the Loan agreement are repaid, to indemnify the German subsidiaries for any payment obligations for which they might be liable as a result of the European Commission investigation into the purchasing of scrap lead batteries (see Note 1 to the consolidated financial statements for the year ended December 31, 2018)
b. a loan agreement pursuant to which Recylex S.A. provides €10.7 million to Weser-Metall GmbH for the entire duration of the loan
c. a receivables subordination agreement with Weser-Metall GmbH and the agent designated by the German banks under the Loan, subordinating the repayment of the aforementioned €10.7 million loan granted by Recylex S.A. to Weser-Metall GmbH to the prior repayment of all sums due under the Loan

As part of Recytech S.A.'s obligation to establish a financial guarantee covering the safety of its facilities and the treatment of waste materials on its site in the event of the discontinuation of its operations, Recylex S.A. has undertaken, in the event of such discontinuation of business at Recytech S.A., to assume responsibility for all electric arc furnace dust present on the latter's site and to bear the cost of the transport and treatment of this dust.

4.5 Income tax

On October 1, 1994, the Company elected to adopt the tax consolidation group tax regime. At December 31, 2018, the group included its C2P S.A.S. subsidiary. The tax expense attributable to each subsidiary is calculated at standard tax rates to ensure that the group tax relief rules are neutral for the subsidiary.

In 2018, the net tax consolidation benefit for Recylex S.A. was zero.

4.6 Tax assets and liabilities

4.6.1 Nature of the temporary differences between tax treatment and accounting treatment

In thousands of euros	At beginning of period		Variations		At end of period	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Changes in deferred tax						
1. Special tax-allowance provisions						
- Excess tax depreciation on property, plant and equipment and intangible assets		67	14			52
2. Provisions not deductible in the year of recognition						
- Employee-related provisions	279		90	85	283	
- Impairment of non-current financial assets	246,780		71,787		318,567	
- Provisions for contingencies and charges	21,675		2,168	4,556	19,286	
- Other	1,352		125	127	1,351	
TOTAL	270,085	67	74,184	4,768	339,487	52

4.6.2 Tax losses held by the entire French tax consolidation group

In thousands of euros	At beginning of period	Losses arising during the financial year	At end of period
Tax loss carryforwards - rate of 33.33%	**(155,527)**	**(4,054)**	**(159,580)**

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4.7 Liabilities rescheduled under the continuation plan

The Company's continuation plan, approved by the Paris Commercial Court on November 24, 2005, stipulated that creditors electing for option 1 of the continuation plan, which entails the abandonment of 50% of their claim, would benefit from a clawback clause provided that they informed the Company by registered letter within six months of the judgment approving the plan and that the plan was not reformulated prior to its expiry (on November 24, 2015).

On December 15, 2015, the Paris Commercial Court confirmed that Recylex S.A.'s continuation plan had been completed. This clawback clause provides that from and including December 31, 2015, Recylex S.A. will allocate 20% of its cash at December 31 of each subsequent financial year to repayment of the waived debt on a pari passu basis between the creditors, with no limit on the duration of such repayments. Three creditors requested the benefit of the clawback clause within the specified timeframe, and the total amount of debt covered by the clause amounts to €19,210,000. At December 31, 2018, Recylex S.A. recognized a liability relating to the clawback clause in an amount of €768,000, recognized under other liabilities.

The provision related to the clawback clause corresponds to the discounted present value of probable future repayments under the clause. One of the main components of future cash flows is the price of lead. The volatility of metal prices and the difficulty in predicting trends in both prices and the economic outlook makes all medium-term and long-term forecasting extremely difficult. As a result, the Company has adopted a multi scenario model to determine the value of liabilities under the clawback clause. Starting from the assumption that trends in lead prices follow a normal distribution, a large number of scenarios for lead prices were modeled.
Given the limited variation in the Business Plan and, crucially, the low level of variation in normalized cash flows, the Company has decided to carry out a full valuation of the fair value of liabilities under the clawback clause using a multi-scenario model only once every two years. In the intervening years, the fair value of liabilities under the clawback clause is adjusted only for time effects relating to the shortening of the period before payments fall due.

Probable repayments under the clawback clause from December 31, 2018 have been calculated on the basis of the Business Plan drawn up by the Company and normalized cash flows thereafter. The fair value of these liabilities is recognized on the balance sheet under Provisions for charges with a balancing entry under Non-recurring expenses (see Note 2.6). At December 31, 2018, the Group carried out a further full valuation of the clawback clause, which came to €3.4 million.

5. List of subsidiaries and equity investments at December 31, 2018

In thousands of euros	Share capital	Equity other than share capital	Percentage ownership	Carrying amount, gross	Carrying amount, net	Loans and advances, gross	Loans and advances, net	Security deposits and endorsements granted	Sales in previous financial year	Earnings in previous financial year	Dividends received
1. Subsidiaries (more than 50%-owned)											
France											
Metaleurop Nord S.A.S. (in liquidation)	16,769	N/A	100%	59,511	0	130,254	0		0	N/A	
C2P S.A.S.	900	3,353	100%	1,708	1,708				10,942	(474)	
Outside France											
Recylex Beteiligungsgesellschaft 1 mbH, Germany	25	53,169	100%	53,194	0				0	(2)	
Recylex Beteiligungsgesellschaft 2 mbH, Germany	25	2,793	100%	2,823	0				0	(1)	
Fonderie et Manufacture de Métaux S.A., Belgium	475	(2,145)	100%	1,867	0					(61)	
2. Equity investments (equal or less than 50%-owned)											
France											
Recytech S.A., France	6,240	20,354	50%	4,865	4,865				50,624	19,018	10,400
Outside France											
Eco Recyclage SpA, Algeria	540	*222*	33%	205	0				0	NC	
3. Other equity investments											
Metaleurop International Finance				253	0			0			
Peñarroya Espana (in liquidation)				33,872	0	20,354					
Total equity, loans and advances				**158,298**	**6,573**	**150,608**					

6. Environmental information

6.1. Background

Recylex S.A. directly manages two facilities classified for the protection of the environment in France - one in Arnas (Rhône department) and one in Escaudœuvres (Nord department) - and the L'Estaque site in Marseille (Bouches-du-Rhône department), which has been closed since 2001. Two other sites are managed by subsidiaries: C2P S.A.S. in Arnas and 50%-owned Recytech S.A. in Fouquières-lès-Lens (Pas de Calais department).

Recylex S.A. was created in 1988 from the merger between Société Minière et Métallurgique de Peñarroya (SMMP) and the non-ferrous metals division of Germany-based Preussag, and took over around thirty mining concessions in France, two of which were still being operated at the time. Recylex S.A. defined a program to upgrade safety in its mining concessions, which was validated and kept updated with the French industry ministry and local authorities. At December 31, 2018, Recylex S.A. no longer held any mining concessions, but remained liable for remediation work.

6.2. Environment-related provisions and contingent liabilities

Recylex S.A.'s activities are subject to local, national and international regulations relating to the environment and industrial safety. These regulations are constantly changing and impose numerous obligations. As a result, these activities carry a risk that Recylex S.A. will be held liable for matters including site clean-up and industrial safety.

Provisions are recognized for identified risks at sites in operation, whenever there is a legal or regulatory obligation. The Company recognizes a provision for remediation of sites as required by statutory obligations. The provisions set aside to cover these risks are assessed on the basis of the Company's mining and metalworking experience and on external cost estimates, when such estimates are available.

At December 31, 2018, environmental provisions recognized by Recylex S.A. totaled €12,713,000, covering the present value of all foreseeable expenditure over the period for which the regulations apply, which may last until 2029.

The amounts recognized represent the best estimates based on reports and technical studies by independent experts. Expenditure recognized in FY 2018 amounted to €4,209,000, covering the cost of surveys and site remediation, along with the cost of operating longstanding facilities treating mine water before discharge into the natural environment.

Recylex S.A. cannot rule out the possibility that assumptions used to calculate these provisions will have to be revised. As a result, the Company monitors these provisions to take into account changes in the interpretation or application of the regulations by the relevant authorities, the technical, hydrological and geological constraints relating to environmental remediation issues, and the discovery of pollution not currently identified.

Environmental provisions and contingent liabilities identified by Recylex S.A. are discussed in the following paragraphs.

6.3. Mining concessions

6.3.1. Provisions recognized under the procedure of giving up rights to operate mining concessions

At year-end 2018, Recylex S.A. no longer held any mining concessions as a result of a provision in Art. L. 144-4 of the French Mining Code that stipulates that unused mining concessions of an unlimited duration expire on December 31, 2018. The expiration of the validity of these mining concessions does not mean the end of mining safety obligations concerning implementation arrangements for the remedial work. Work to remediate these former mining sites and make them safe is taking place under a multi-year plan approved and revised in conjunction with local authorities and government organizations. The aggregate amount of provisions covering the entire former mining site remediation program came to €3,923,000 at December 31, 2018.

In thousands of euros	**2018**	**2017**
Total provisions	3,923	4,830

Expenditure incurred in 2018 for the remediation of former mines came to €1,148,000.

6.3.2. Monitoring of contingent liabilities relating to former mining sites

At December 31, 2018, the Company was not aware of any actual or potential obligation that could constitute a contingent liability.

6.4. Discontinued site at L'Estaque

6.4.1. Provisions recognized under the site remediation program

Following the shutdown of operations at the L'Estaque facility in February 2001, several orders subsequent to the prefectural order of December 23, 2002 laying down the remediation program specified the conditions for the remediation work and set the deadline for completion of the work as December 31, 2018. Based on the work still to be completed, a request to defer the deadline for the remediation work until December 31, 2022 was sent in January 2019 to the Prefect of the Bouches-du-Rhône department.

In June 2012, a contract was signed with a specialist contractor covering the construction and operation of an initial storage cell. In 2014, a second cell was built and partially filled. After a standstill period, Recylex S.A. resumed the task of excavating and filling the second storage cell during the second half of 2017. In FY 2018, work focused on extending the second storage cell and then using it to store around 60,000 cubic meters in waste. The aggregate amount of provisions (before discounting) covering the entire L'Estaque site remediation program came to €8,790,000 at December 31, 2018. These amounts are the best available estimates, based on technical reports by independent experts.

6.4.2. Contingent liabilities at the site

Recylex S.A. did not set aside any provisions in its financial statements at December 31, 2018 to cover the risks arising from the motion filed by SNCF Réseau to have Recylex S.A. and RETIA S.A.S.A.U. jointly ordered to pay the entire amount necessary for the "complete refurbishment" of the publicly owned rail assets in the L'Estaque rail section in Marseille (see paragraph 5 of the ongoing litigation section under Significant events).

Recylex regards this procedure as giving rise to a potential liability that does not satisfy the criterion for recognition of a provision because:

- Recylex S.A. is challenging the legal basis for this motion and thus whether there are any constructive or legal obligations arising from this application
- There is no detailed documentation concerning this application enabling it to assess the probability of an outflow of financial resources.

6.5. Sites in operation

In France, act no. 2003-699 of July 30, 2003, requires guarantees to be created to ensure the safety of certain facilities and the protection of the environment, in the event of discontinuation of their operations.
By the nature of their businesses, Recylex S.A. and Recytech S.A. are covered by this requirement. The total value of the guarantee to be created by Recylex S.A. is €700,000, to be paid over nine years.
At December 31, 2018, Recylex S.A. recognized a long-term financial asset corresponding to the first four tranches in a total amount of €420,000. That asset is written down in full, as the use of this financial guarantee, which is contingent upon discontinuation of the business, is not located in a defined period.

6.6. Other environmental information

Recylex S.A. was not granted any public environmental funds or government subsidies in FY 2018.

7. Other disclosures

7.1. Inventory of securities at December 31, 2018

In thousands of euros	**Carrying amount, net**
1. Subsidiaries and affiliates	
Foreign companies	
Recylex Beteiligungsgesellschaft Eins mbH	0
Recylex Beteiligungsgesellschaft Zwei mbH	0
Fonderie et Manufacture de Métaux S.A.	
Sub-total	**0**
French companies	
Metaleurop Nord S.A.S.	
Recytech S.A.	4,865
C2P S.A.S.	1,708
Sub-total	6,573
Total subsidiaries and equity investments	**6,573**
2. Long-term investments and investment securities	
Long-term investments	9
Treasury shares	141
Other marketable securities	
Total long-term investments and investment securities	**150**
Total marketable securities	**6,723**

7.2. Appropriation of income

Appropriation of income - In thousands of euros	12/31/2018
1. Net income/(loss) for the period	(65,052)
of which after-tax income before non-recurring items	(65,758)
2. Appropriation to retained earnings	(65,052)
3. Addition to the statutory reserve	

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users. This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

To the Recylex S.A. Annual General Meeting,

Disclaimer of opinion

In accordance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of Recylex S.A. for the year ended December 31, 2018.

These financial statements were approved by the Board of Directors on June 12, 2020 on the basis of the information available at that date in the evolving context of the Covid-19 health crisis.

We do not express an opinion on whether the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as of December 31, 2018 and of the results of its operations for the year then ended in accordance with French accounting principles. Due to the significance of the matters described in the section "Basis for disclaimer of opinion", we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

This disclaimer of opinion is consistent with our report to the Audit Committee.

Basis for disclaimer of opinion

As disclosed in the section "Post balance sheet events / Going concern" of the "Main events" note to the financial statements, the German sub-group entities filed a request to open insolvency proceedings in May 2020. The request was granted on May 20, 2020. This procedure limits the activity of Recylex S.A. to its French entities. In this context, the Company reassessed its outlook, which is based on a certain number of assumptions, items and ongoing actions, including:

- continuation of Weser-Metall GmbH's activity and of the supply of secondary materials by Recylex S.A to the Weser-Metall GmbH foundry (now outside the Recylex Group),
- changes in the commercial terms and conditions of secondary materials (processing costs), lead and zinc prices and the €/USD exchange rate, as Recylex S.A.'s activity is highly sensitive to changes in these variables,
- changes in used lead battery volumes and purchase prices, as the commercial margin and cash generated by Recylex S.A.'s activity is heavily dependent on these variables,
- extension beyond October 31, 2020 of the deferral of the maturity date of the €16 million loan granted in 2014 by Glencore International AG, conditional on the continued supply by Recylex S.A. of secondary materials to Weser-Metall GmbH,
- suspension of interest on the €16 million loan granted by Glencore International AG for at least the next 12 months, and adaptation of repayment and interest conditions in the mid-term,
- financial income and notably dividends received from Recytech S.A. (equity associate), whose results are highly sensitive to zinc prices,
- developments in ongoing legal procedures against Recylex S.A. and contingent liabilities (see Notes 1 and 38),
- temporary suspension of the payment plan for the European Commission fine and changes to the payment schedule to make it compatible with Recylex S.A.'s new cash forecasts,
- acceptance by the competent authorities of the temporary stoppage of rehabilitation work at the Estaque site until December 31, 2021 and the deferral of the completion date thereof to December 31, 2024.

There are no indications allowing the attainment of the assumptions and items adopted or the outcome of ongoing actions to be foreseen. A material uncertainty therefore exists, casting doubt on the Company's ability to continue as a going concern. Should the assumptions and items adopted not be confirmed or the outcome of ongoing actions be unfavorable, the application of French accounting rules and methods in a normal context of business continuity, notably for the assessment of assets and liabilities, could prove inappropriate.

Justification of Assessments - Main Audit Items

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*code de commerce*) relating to the justification of our assessments, we inform you that, given the disclaimer of opinion detailed above, we have no main audit items to bring to your attention relating to risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period, other than those detailed in the section "Basis for disclaimer of opinion".

Specific verifications
We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law and regulations.

Information given in the management report and in the other documents addressed to the Annual General Meeting with respect to the financial position and the financial statements.
We have the same matters to report on the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the other documents addressed to shareholders with respect to the financial position and the financial statements, as disclosed in the section "Basis for disclaimer of opinion".

Corporate governance information
We attest that the Board of Directors' report on corporate governance contains the information required by Articles L.225-37-3 and L.225 -37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code relating to remunerations and benefits received by the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from controlling and controlled companies. Based on this work, we attest the accuracy and fair presentation of this information.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors
We were appointed as statutory auditors of Metaleurop S.A. (which became Recylex S.A. in 2007) by the Annual General Meeting of March 30, 2000 for Deloitte & Associés and of February 13, 1995 for KPMG.

As of December 31, 2018, Deloitte & Associés and KPMG were in the 19th year and 25th year of total uninterrupted engagement, respectively, considering the successive terms of office between legal entities of the same network.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and, where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements
Our role is to conduct an audit in accordance with professional standards applicable in France and to issue a report on the financial statements.
We conducted our engagement in compliance with independence rules applicable to us, for the period from January 1, 2018 to the issue date of our report and specifically we did not provide any prohibited non-audit services referred to in the French Code of ethics (*code de déontologie*) for statutory auditors.
Furthermore, the non-audit services we provided during the year to your Company and the entities it controls that are not mentioned in the management report or the notes to the consolidated financial statements were as follows:

- Issue of an independent third-party report on the social, environmental and societal information stipulated in Article L.225-102-1 of the French Commercial Code (services rendered by KPMG),
- Issue of attestations on the accounting and financial information and provision of tax services authorized by local legislation (services rendered by Deloitte in Germany)

We submit a report to the Audit and Risk Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as significant audit findings. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration referred to in Article 6 of Regulation (EU) no. 537/2014, confirming our independence pursuant to the rules applicable in France as defined in particular by Articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of ethics for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

Paris La Défense, June 15, 2020

The Statutory Auditors

KPMG Audit *Division of KPMG S.A.*	Deloitte & Associés
Alexandra Saastamoinen *Partner*	Laurent Odobez *Partner*

DRAFT RESOLUTIONS SUBMITTED TO THE COMBINED GENERAL MEETING OF JULY 29, 2020

RESOLUTIONS TO BE CONSIDERED BY THE ORDINARY GENERAL MEETING

FIRST RESOLUTION

(Approval of the parent company financial statements for the year ended December 31, 2018)

Having heard the Board of Directors' report on the Company's management and the Statutory Auditors' report on the parent company financial statements 2018, and having examined the financial statements for Recylex SA for the financial year ended December 31, 2018, including the balance sheet, the income statement and the notes to the financial statements for that year, the Ordinary General Meeting, acting under the required quorum and majority conditions, hereby approves the said financial statements as presented, as well as all operations represented therein and mentioned in the said reports.

The Ordinary General Meeting acknowledges a net loss of €65,051,756.78.

Consequently, it ratifies the Directors' acts of management in respect of the said financial year.

SECOND RESOLUTION

(Approval of the consolidated financial statements for the year ended December 31, 2018)

Having heard the Board of Directors' report on the Group's management and the Statutory Auditors' report on the consolidated financial statements, and having examined the consolidated financial statements of the Group for the financial year ended December 31, 2018, including the balance sheet, the income statement and the notes to the financial statements for that year, the Ordinary General Meeting, acting under the required quorum and majority conditions, hereby approves the said financial statements as presented, as well as all operations represented therein and mentioned in the said reports.

THIRD RESOLUTION

(Appropriation of net income for the year ended December 31, 2018, as reflected in the parent company financial statements)

Having heard the Board of Directors' report and the Statutory Auditors' report on the parent company 2018 financial statements, the Ordinary General Meeting, acting under the required quorum and majority conditions, hereby:

- recognizes the net loss for the year ended December 31, 2018, amounting to €65,051,756.78,
- resolves to appropriate the net loss of €65,051,756.78 to the retained earnings account, which consequently shows a debit balance after appropriation of €59,119,571.90.

The General Meeting approves the amount of the non-deductible costs and expenses referred to in Article 39-4 of the General Taxation Code, amounting to €21,805.

The General Meeting, in accordance with the law, hereby acknowledges that no dividend has been paid out in the last three financial years.

FOURTH RESOLUTION

(Approval of the related party agreements referred to in Article L.225-38* et seq. *of the Commercial Code)

The Ordinary General Meeting, acting under the required quorum and majority conditions, and having heard the special report of the Statutory Auditors on the agreements referred to in Article L. 225-38 of the Commercial Code, hereby acknowledges the said report and approves the agreements mentioned therein, these agreements being authorized by the Board of Directors and entered into during the financial year ended December 31, 2018

FIFTH RESOLUTION

(Ratification of the cooptation of Mrs. Karin LATTWEIN as director)

The General Meeting, voting under the quorum and majority conditions required for ordinary general meetings, ratifies the cooptation of Mrs Karin LATTWEIN as Director, replacing Mrs Diana KISRO-WARNECKE, whose cooptation was decided by the Board of Directors at its meeting of February 6, 2020.

SIXTH RESOLUTION

(Reappointment of Mr Sebastian RUDOW as director)

The Ordinary General Meeting, acting under the required quorum and majority conditions, formally notes that the term in office as director of Mr Sebastian RUDOW comes to an end at the date of this Meeting and resolves to reappoint Mr Sebastian RUDOW as director for a term in office of 3 years until the close of the General Meeting convened to approve the financial statements for the year ending on December 31, 2022.

SEVENTH RESOLUTION
(Reappointment of Mrs Laetitia SETA as director)

The Ordinary General Meeting, acting under the required quorum and majority conditions, formally notes that the term in office as director of Mrs Laetitia SETA comes to an end at the date of this Meeting and resolves to reappoint Mrs Laetitia SETA as director for a term in office of 3 years until the close of the General Meeting convened to approve the financial statements for the year ending on December 31, 2022.

EIGHTH RESOLUTION
(Reappointment of Mr Christopher ESKDALE as Director)

The Ordinary General Meeting, acting under the required quorum and majority conditions, formally notes that the term in office as director of Mr Christopher ESKDALE comes to an end at the date of this Meeting and resolves to reappoint Mr Christopher ESKDALE as director for a term in office of 3 years until the close of the General Meeting convened to approve the financial statements for the year ending on December 31, 2022.

NINTH RESOLUTION
(Reappointment of Mrs Karin LATTWEIN as director)

The Ordinary General Meeting, acting under the required quorum and majority conditions, formally notes that the term in office as director of Mrs Karin LATTWEIN comes to an end at the date of this Meeting and resolves to reappoint Mrs Karin LATTWEIN as director for a term in office of 3 years until the close of the General Meeting convened to approve the financial statements for the year ending on December 31, 2022.

TENTH RESOLUTION
(Approval of the information relating to the compensation of the corporate officers mentioned in I of Article L. 225-37-3 of the French Commercial Code pursuant to Article L. 225-100 II of the French Commercial Code)

The General Meeting, voting under the quorum and majority conditions required for ordinary general meetings, approves, pursuant to Article L. 225-100 II of the French Commercial Code, the information referred to in I of Article L. 225-37-3 of the French Commercial Code, as detailed in section 2.9 of the Company's management report entitled "Information on corporate governance" and referred to in the last paragraph of Article L. 225-37 of the French Commercial Code.

ELEVENTH RESOLUTION
(Approval of the fixed, variable and exceptional items comprising the total compensation and benefits of any kind paid during the financial year 2018 or granted for the same financial year to Mr. Sebastian Rudow, in his capacity as Chairman and Chief Executive Officer, pursuant to Article L. 225-100 III of the French Commercial Code)

The General Meeting, voting under the quorum and majority conditions required for ordinary general meetings, pursuant to Article L.225-100 of the French Commercial Code III of the French Commercial Code, approves the fixed, variable and exceptional items comprising the total compensation and benefits of any kind paid during financial year 2018 or granted for the same financial year to Mr. Sebastian RUDOW in his capacity as Chairman and Chief Executive Officer, as presented in section 2.9 of the Company's management report entitled "Information on corporate governance" and referred to in the last paragraph of article L. 225-37 of the French Commercial Code.

TWELVETH RESOLUTION
(Approval of the fixed, variable and exceptional items comprising the total compensation and benefits of any kind paid during the financial year 2019 or granted for the same financial year to Mr. Sebastian Rudow, in his capacity as Chairman and Chief Executive Officer, pursuant to Article L. 225-100 III of the French Commercial Code)

The General Meeting, voting under the quorum and majority conditions required for ordinary general meetings, pursuant to Article L.225-100 of the French Commercial Code III of the French Commercial Code, approves the fixed, variable and exceptional items comprising the total compensation and benefits of any kind paid during financial year 2019 or granted for the same financial year to Mr. Sebastian Rudow in his capacity as Chairman and Chief Executive Officer, as presented in section 2.9 of the Company's management report entitled "Information on corporate governance" and referred to in the last paragraph of article L. 225-37 of the French Commercial Code.

The Shareholders' Meeting notes that as no Shareholders' Meeting has been held since 5 June 2018, the compensation policy for the financial year 2019 could not be approved by the Shareholders' Meeting and the aforementioned compensation items, paid during financial year 2019 or allocated for the same financial year to Mr. Sebastian Rudow in his capacity as Chairman and Chief Executive Officer, were determined by the Board of Directors pursuant to the compensation policy for financial year 2018 approved by the Combined General Meeting of 5 June 2018 (ninth resolution).

THIRTEEN RESOLUTION

(Approval of the compensation policy for the Chairman and Chief Executive Officer for the financial year 2020, pursuant to Article L. 225-37-2 of the French Commercial Code)

The General Meeting, voting under the quorum and majority conditions required for ordinary general meetings, pursuant to Article L.225-37-2 of the French Commercial Code, approves the compensation policy for the Chairman and Chief Executive Officer for the financial year 2020, as detailed in section [2.9] of the Company's management report entitled "Information on corporate governance" and referred to in the last paragraph of Article L.225-37 of the French Commercial Code.

FOURTEENTH RESOLUTION

(**Approval of the remuneration policy for members of the Board of Directors for the financial year 2020, pursuant to Article L. 225-37-2 of the French Commercial Code)**

The General Meeting, voting under the quorum and majority conditions required for ordinary general meetings, pursuant to Article L. 225-37-2 of the French Commercial Code, approves the compensation policy for members of the Board of Directors for the financial year 2020, as detailed in section 2.9 of the Company's management report entitled "Information on corporate governance" and referred to in the last paragraph of Article L. 225-37 of the French Commercial Code.

RESOLUTIONS TO BE CONSIDERED BY THE EXTRAORDINARY GENERAL MEETING

FIFTEENTH RESOLUTION

(Decision to be taken regarding the Company's equity that has fallen below half of the share capital, pursuant to Article L.225-248 of the French Commercial Code)

The General Meeting, voting under the quorum and majority conditions required for extraordinary general meetings, having considered the report of the Board of Directors on the management of Recylex S.A. and the report of the statutory auditors on the Company's financial statements, and the Company's financial statements for the year ended December 31, 2018, pursuant to Article L. 225-248 of the French Commercial Code,

notes that the losses recorded in the Company's financial statements show an amount of equity that is less than half of the share capital and that, consequently, it is incumbent upon it to decide, if necessary, to dissolve the Company early, it being specified that if the dissolution is not carried out, the Company will have a period expiring no later than the close of the second financial year following the financial year during which the losses were recorded, to regularize the situation, under the conditions provided for by the legal and regulatory provisions in force,

decides, in light of the foregoing, not to pronounce the early dissolution of the Company and to continue its activity,

notes that this decision will be subject to the publicity measures provided for by the legal and regulatory provisions in force and that the Company will be required to reconstitute its equity by December 31, 2022 at the latest.

SIXTEENTH RESOLUTION

(Amendment of Article 17.1 of the Company's Articles of Association relating to the powers of the Board of Directors)

The General Meeting, voting under the quorum and majority conditions required for extraordinary general meetings, resolves to amend Article 17.1 "Powers of the Board of Directors" of the Company's Articles of Association as follows in order to bring it into line with the new wording of Article L. 225-35 paragraph 1 of the French Commercial Code (as amended by Law No. 2019-486 of 22 May 2019 relating to the growth and transformation of companies):

Previous wording	New wording
17.1 - POWERS OF THE BOARD OF DIRECTORS The Board of Directors shall set out guidelines for the company's activities and oversee the implementation thereof. Subject to the powers expressly vested in the shareholders' meetings and within the remit of the company's business purpose, it shall deliberate on any issue concerning the proper functioning of the company and resolve all matters facing the company. […]	**17.1 - POWERS OF THE BOARD OF DIRECTORS** The Board of Directors shall set out guidelines for the company's activities and oversee the implementation thereof, **in accordance with the company's interest, taking into consideration the social and environmental matters of its activity**. Subject to the powers expressly vested in the shareholders' meetings and within the remit of the company's business purpose, it shall deliberate on any issue concerning the proper functioning of the company and resolve all matters facing the company […]

The rest of Article 17.1 remains unchanged.

SEVENTEENTH RESOLUTION
(Bringing Articles 14.7 and 33 of the Company's Articles of Association into line with the new legislative provisions on the remuneration of members of the Board of Directors)

Previous wording	New wording
14.7 The Shareholders' Meeting may allocate a fixed amount annually to Board members as sitting fees. The Board shall share out these amounts to its members in the manner it deems most appropriate. […]	**14.7** The General Meeting may allocate, **as remuneration for their office,** a fixed amount annualy to Board members ~~as sitting fees~~. The Board shall **allocate** ~~share out~~ these amounts to its members in the manner it deems most appropriate. […]

The rest of Article 14.7 remains unchanged.

Previous wording	New wording
ARTICLE 33	**ARTICLE 33**
Ordinary shareholders' meetings shall consider the company financial statements, the consolidated financial statements, the company and Group management report prepared by the Board of Directors, the auditor's general and special report on the financial statements and their report on the consolidated financial statements. The meeting shall consider, approve, adjust or reject the company financial statements and determine the dividends to be shared out as well as the retained earnings. It shall decide on whether to allocate funds for legal reserves. It shall determine what deductions shall be made and how these shall be broken down. It shall decide on partial or total redemption of the share capital by sharing retained profits or earnings equally among all shares, including annual profits after the deductions mentioned in Article 38. It shall give the Board of Directors full powers to determine the procedures and dates for repayments to be made to the shareholders. It shall determine amounts for sitting fees. It shall appoint, replace, re-elect or terminate the appoint of Board members, and ratify appointments made on an interim basis by the said Board. It shall consider any proposals that fall outside the exclusive remit of the extraordinary shareholders' meeting.	Ordinary shareholders' meetings shall consider the company financial statements, the consolidated financial statements, the company and Group management report prepared by the Board of Directors, the auditor's general and special report on the financial statements and their report on the consolidated financial statements. The meeting shall consider, approve, adjust or reject the company financial statements and determine the dividends to be shared out as well as the retained earnings. It shall decide on whether to allocate funds for legal reserves. It shall determine what deductions shall be made and how these shall be broken down. It shall decide on partial or total redemption of the share capital by sharing retained profits or earnings equally among all shares, including annual profits after the deductions mentioned in Article 38. It shall give the Board of Directors full powers to determine the procedures and dates for repayments to be made to the shareholders. It shall determine **the amount of the remuneration allocated to the Board members for their office** ~~amounts for sitting fees~~. It shall appoint, replace, re-elect or terminate the appoint of Board members, and ratify appointments made on an interim basis by the said Board. It shall consider any proposals that fall outside the exclusive remit of the extraordinary shareholders' meeting.

EIGHTEENTH RESOLUTION
(Amendment of Article 16 of the Articles of Association relating to the deliberations of the Board of Directors in order to allow the Board of Directors to take decisions by written consultation under the conditions laid down by law)

The General Meeting, voting under the quorum and majority conditions required for Extraordinary General Meetings, in accordance with the option provided for by the new wording of Article L. 225-37 of the French Commercial Code (as amended by Law n°2019-744 of 19 July 2019 on the simplification, clarification and updating of company law) to allow the Board of Directors to take decisions by written consultation under the conditions set out in said article, decides to amend Article 16 of the Company's Articles of Association "Deliberations of the Board of Directors" to insert after paragraph 7 a new paragraph worded as follows

"ARTICLE 16
DELIBERATIONS OF THE BOARD OF DIRECTORS

[…]

The Board of Directors shall be entitled to take decisions by written consultation of the Board members in the cases provided for by law.

[…] »

The rest of Article 16 remains unchanged.

<u>RESOLUTIONS TO BE CONSIDERED BY THE ORDINARY AND EXTRAORDINARY GENERAL MEETING</u>

NINETEENTH RESOLUTION
(Powers)

The General Meeting hereby grants all necessary powers to the holder of an original, a copy or an excerpt of the minutes of this General Meeting to carry out any legal or administrative formalities, to file any documents and to satisfy any publication requirements provided for by the legislation in force.

REPORT OF THE BOARD OF DIRECTORS TO THE COMBINED GENERAL MEETING OF 29 JULY 2020 ON DRAFT RESOLUTIONS

Ladies and Gentlemen Shareholders,

We have called this Combined General Meeting to report to you on the activities of Recylex S.A. (hereinafter the "Company") and its subsidiaries during the fiscal year beginning January 1, 2018 and ending December 31, 2018, and to submit for your approval the Company's corporate and consolidated financial statements for this fiscal year.

We have also called this meeting in order to ask you to vote on:

- the approval of the agreements referred to in Articles L.225-38 et seq. of the French Commercial Code,
- the ratification of the cooptation and renewal of the term of office of certain directors,
- approval of the information relating to the compensation of corporate officers mentioned in I of Article L. 225-37-3 of the French Commercial Code,
- the approval of the fixed, variable and exceptional items comprising the total compensation and benefits of any kind paid during financial year 2018 or granted for the same financial year to Mr. Sebastian Rudow, in his capacity as Chairman and Chief Executive Officer,
- the approval of the fixed, variable and exceptional items comprising the total compensation and benefits of any kind paid during the financial year 2019 or allocated for the same financial year to Mr. Sebastian Rudow, in his capacity as Chairman and Chief Executive Officer,
- approval of the compensation policy for the Chairman and Chief Executive Officer for the financial year 2020,
- approval of the remuneration policy for members of the Board of Directors for the financial year 2020,
- the decision to be taken regarding the Company's shareholders' equity that has fallen below half of the share capital (going concern), and
- amendments to the Company's Articles of Association.

The activity of the Company and its subsidiaries during the fiscal year ended December 31, 2018, as well as the progress of corporate affairs since the beginning of the current fiscal year, has been reported in the management report of the Board of Directors which has been communicated to you in accordance with the law.

The purpose of this report is to present to you the draft resolutions submitted to your vote.

<u>ON AN ORDINARY BASIS</u>

I. APPROVAL OF THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS - APPROPRIATION OF EARNINGS (FIRST, SECOND AND THIRD RESOLUTIONS)

financial statements for the financial year ending 31 December 2018 as approved by the Board of Directors, in view of the deficit for the financial year ending December 31, 2018, which amounts to 65,051,756.78 euros, to allocate the entire loss of 65,051,756.78 euros to the "retained earnings" account, the balance of which, after allocation, would amount to a debit amount of 59,119,571.90 euros.

In accordance with legal provisions, the Board of Directors proposes that the General Meeting of Shareholders approve the amount of expenses and charges referred to in Article 39-4 of the French General Tax Code that are not deductible from income, amounting to 21,805 euros for the year ended December 31, 2018.

We remind you that no dividend has been distributed for the last three financial years.

II. APPROVAL OF THE AGREEMENTS REFERRED TO IN ARTICLES L.225-38 ET SEQ. OF THE FRENCH COMMERCIAL CODE (FOURTH RESOLUTION)

The Board of Directors proposes that the General Meeting take note of the conclusions of the special report of the auditors on the agreements referred to in Articles L.225-38 et seq. of the French Commercial Code and approve the agreements mentioned in this report. These agreements were authorized by the Board of Directors and entered into during the 2018 financial year.

In accordance with article L.225-40 of the French Commercial Code, interested parties may not take part in the vote on this resolution.

III. RATIFICATION OF THE COOPTATION OF KARIN LATTWEIN AS DIRECTOR (FIFTH RESOLUTION)

The Board of Directors proposes that the General Meeting ratify the co-option by the Board of Directors at its meeting on February 6, 2020 of Ms Karin Lattwein as Director, as a replacement of Ms Diana Kisro-Warnecke.

Commercial Director in Stuttgart of an OEM dealer and with her experience both in the German automotive sector and in large-scale risk management, Karin Lattwein will bring to the Recylex Group her knowledge of business issues, compliance and business modernization in a context of restructuring.

IV. RENEWAL OF THE TERMS OF OFFICE AS DIRECTORS OF MR. SEBASTIAN RUDOW, MS. LAETITIA SETA, MR. CHRISTOPHER ESKDALE AND MS. KARIN LATTWEIN (SIXTH, SEVENTH, EIGHTH AND NINTH RESOLUTIONS)

The Board of Directors proposes that the General Meeting renew the terms of office of Mr Sebastian Rudow, Ms Laetitia Seta, Mr Christopher Eskdale and Ms Karin Lattwein, whose terms of office expire in the financial year 2020, for a period of three (3) years expiring at the end of the General Meeting called to approve the financial statements for the financial year ending 31 December 2022.

Mr Sebastian Rudow has been Chairman and Chief Executive Officer of Recylex S.A. since November 11, 2017.

Ms Laetitia Seta has been a Director of Recylex S.A. since May 6, 2011.
Christopher Eskdale has been a Director of Recylex S.A. since May 12, 2014. He is a member of the Remuneration and Nomination Committee and the Audit Committee of Recylex S.A.

For more information on Mr. Sebastian Rudow, Ms. Laetitia Seta and Mr. Christopher Eskdale, please refer to section 2.9.2.1.1. of the management report.

V. APPROVAL OF THE INFORMATION RELATING TO THE REMUNERATION OF CORPORATE OFFICERS MENTIONED IN ARTICLE L. 225-37-3 I OF THE FRENCH COMMERCIAL CODE (TENTH RESOLUTION)

The tenth resolution relates to the information mentioned in I of article L. 225-37-3 of the French Commercial Code, pursuant to article L. 225-100 II of the French Commercial Code, i.e. the information relating to the compensation of all corporate officers as mentioned in section 2.9 of the Company's management report entitled "Information on corporate governance", including corporate officers whose term of office has expired and newly appointed corporate officers.

VI. APPROVAL OF THE FIXED, VARIABLE AND EXCEPTIONAL ELEMENTS MAKING UP THE TOTAL COMPENSATION AND BENEFITS OF ANY KIND PAID DURING THE FINANCIAL YEAR 2018 OR GRANTED FOR THE SAME FINANCIAL YEAR TO MR. SEBASTIAN RUDOW, IN HIS CAPACITY AS CHAIRMAN AND CHIEF EXECUTIVE OFFICER (ELEVENTH RESOLUTION)

The Board of Directors proposes that the Shareholders' Meeting approve the fixed, variable and exceptional items comprising the total compensation and benefits of any kind paid during fiscal year 2018 or awarded for the same fiscal year to Mr. Sebastian Rudow in his capacity as Chairman and Chief Executive Officer, pursuant to Article L.225-100 of the French Commercial Code.

The elements of Mr. Sebastian Rudow's compensation for financial year 2018 are in accordance with the compensation policy for the Chairman and Chief Executive Officer approved by the General Meeting of Shareholders on June 5, 2018 (9th resolution).

a) The gross annual fixed compensation of Sebastian Rudow in his capacity as Chief Executive Officer of Recylex S.A. for 2018 amounted to a gross amount of 230,000 euros.
b) The variable compensation of Mr. Sebastian Rudow in his capacity as Chief Executive Officer of Recylex S.A. for 2018 was set by the Board of Directors (at its meeting of March 28, 2019) at €260,000 (i.e., 113% of the fixed portion of his compensation) and was determined on the basis of the following criteria
    - individual non-financial criteria relating to (i) the improvement and development of the Group's organization, including in particular internal procedures and communication, (ii) the development of loss-making business segments with a recovery target by 2019/2020, (iii) the successful start-up of the new reduction furnace and (iv) the development of the Group's future strategy;
    - economic criteria based on consolidated EBITDA performance.
c) Ancillary benefits: Mr. Sebastian Rudow, in his capacity as Chief Executive Officer of Recylex S.A., benefited from the health insurance plan applicable to Recylex S.A. employees.
d) Post-employment benefits:

- Mr. Sebastian Rudow, in his capacity as Chief Executive Officer of Recylex S.A., benefits from the mandatory pension plans like all employees and does not participate in Recylex S.A.'s supplementary pension plans, in the form of a "PERCO" collective retirement savings plan or a of a compulsory defined-contribution group pension plan under the regime set out in Article 83 of the French General Tax Code ("Article 83").
- Mr. Sebastian Rudow, in his capacity as Chief Executive Officer of Recylex S.A., does not benefit from any termination or non-competition indemnities.

The compensation paid during financial year 2018 or allocated for the same financial year to Mr Sebastian Rudow is detailed in section 2.9 of the Company's Management Report, presented jointly with this report to the General Meeting, entitled "Information on corporate governance" and referred to in the last paragraph of Article L. 225-37 of the French Commercial Code.

It is reminded that in 2019, the Company was unable to hold an Ordinary General Meeting called to approve the 2018 financial statements. Given the exceptional circumstances preventing the holding of a Shareholders' Meeting within a reasonable period of time and given the involvement of the Chairman and Chief Executive Officer throughout the 2018 financial year, the Board of Directors, on the proposal of Remuneration and Nomination Committee, decided, on 18 October 2019, to pay the variable portion of the Chairman and Chief Executive Officer's compensation for the 2018 financial year, without waiting for the vote of approval by the shareholders' meeting, Mr. Sebastian Rudow being required to return the portion of his variable compensation for the 2018 financial year that would not be approved by the shareholders' meeting, and the Company reserving the right to deduct the amount concerned from any amount that would be due to Mr. Sebastian Rudow, including the fixed portion of his compensation.

VII. APPROVAL OF THE FIXED, VARIABLE AND EXCEPTIONAL ELEMENTS MAKING UP THE TOTAL COMPENSATION AND BENEFITS OF ANY KIND PAID DURING THE FINANCIAL YEAR 2019 OR GRANTED FOR THE SAME FINANCIAL YEAR TO MR. SEBASTIAN RUDOW, IN HIS CAPACITY AS CHAIRMAN AND CHIEF EXECUTIVE OFFICER (TWELFTH RESOLUTION)

The Board of Directors proposes that the Shareholders' Meeting approve the fixed, variable and exceptional items comprising the total compensation and benefits of any kind paid during the financial year 2019 or allocated for the same financial year to Mr. Sebastian Rudow in his capacity as Chairman and Chief Executive Officer, pursuant to Article L.225-100 of the French Commercial Code.

As no shareholders' meeting has been held since 5 June 2018, the compensation policy for financial year 2019 could not be approved by the shareholders' meeting in 2019. As such, the elements of Mr. Sebastian Rudow's compensation for financial year 2019 were determined in accordance with the compensation policy for the Chairman and Chief Executive Officer for financial year 2018, approved by the shareholders' meeting on 5 June 2018 (9th resolution).

a) The gross annual fixed compensation of Mr. Sebastian Rudow in his capacity as Chief Executive Officer of Recylex S.A. for 2019 amounted to a gross amount of 230,000 euros.
b) The variable compensation of Mr. Sebastian Rudow in his capacity as Chief Executive Officer of Recylex S.A. for 2019 was set by the Board of Directors (at its meeting of April 27, 2020) at €260,000 (i.e. 113% of the fixed portion of his compensation) and was determined on the basis of the following criteria)
    - individual non-financial criteria relating to (i) the improvement and development of the Group's organization, including in particular internal procedures and communication, (ii) the development of loss-making business segments with a recovery target by 2019/2020, (iii) the successful start-up of the new reduction furnace and (iv) the development of the Group's future strategy;
    - economic criteria based on consolidated EBITDA performance.
c) Ancillary benefits: Mr. Sebastian Rudow, in his capacity as Chief Executive Officer of Recylex S.A., benefited from the health insurance plan applicable to Recylex S.A. employees.
d) Post-employment benefits:
    - Mr. Sebastian Rudow, in his capacity as Chief Executive Officer of Recylex S.A., benefits from the mandatory pension plans like all employees and does not participate in Recylex S.A.'s supplementary pension plans, in the form of a "PERCO" collective retirement savings plan or a of a compulsory defined-contribution group pension plan under the regime set out in Article 83 of the French General Tax Code ("Article 83").
    - Mr. Sebastian Rudow, in his capacity as Chief Executive Officer of Recylex S.A., does not benefit from any termination or non-competition indemnities.

The compensation paid during financial year 2019 or allocated for the same financial year to Mr Sebastian Rudow is detailed in section 2.9 of the Company's Management Report, presented jointly with this report to the General Meeting, entitled "Information on corporate governance" and referred to in the last paragraph of Article L. 225-37 of the French Commercial Code.

The payment of the variable portion for 2019 is subject to the prior approval of your Shareholders' Meeting.

VIII. APPROVAL OF THE REMUNERATION POLICY OF THE PRESIDENT AND CHIEF EXECUTIVE OFFICER FOR THE FINANCIAL YEAR 2020 (THIRTEENTH RESOLUTION)

The Board of Directors proposes that the Shareholders' Meeting approve the compensation policy for the Chairman and Chief Executive Officer for the financial year 2020 in accordance with Article L.225-37-2 of the French Commercial Code.

The principles underlying the determination of the elements of compensation for the Chairman and Chief Executive Officer for the financial year 2020 are detailed in section 2.9 of the Company's management report, presented jointly with this report to the Shareholders' Meeting, entitled "Information on corporate governance" and referred to in the last paragraph of Article L.225-37 of the French Commercial Code.

IX. APPROVAL OF THE REMUNERATION POLICY FOR MEMBERS OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR 2020 (FOURTEENTH RESOLUTION)

The Board of Directors proposes to the General Meeting to approve the remuneration policy for the financial year 2020 for the members of the Board of Directors pursuant to Article L.225-37-2 of the French Commercial Code.

The principles underlying the determination of the elements of remuneration for the financial year 2020 for the members of the Board of Directors are detailed in section 2.9 of the Company's management report, presented jointly with this report to the General Meeting, entitled "Information on corporate governance" and referred to in the last paragraph of article L.225-37 of the French Commercial Code.

ON AN EXTRAORDINARY BASIS

X. DECISION TO BE TAKEN CONCERNING THE COMPANY'S SHAREHOLDERS' EQUITY WHICH HAS FALLEN BELOW HALF OF THE SHARE CAPITAL - CONTINUATION OF ACTIVITY (FIFTEENTH RESOLUTION)

In accordance with the provisions of Article L.225-248 of the French Commercial Code, after having noted that shareholders' equity, following the allocation of earnings, amounts to -36,197,331.33 euros for a share capital of 9,577,998.34 euros at 31 December 2018, and has therefore become less than half of the share capital, the shareholders are invited to vote on the early dissolution of the Company or the continuation of its activity.

If the dissolution is rejected, the Company will have a period expiring no later than the end of the second financial year following the one during which the losses were recorded, to regularize the situation, under the conditions provided for by the legal and regulatory provisions in force.

We invite you to vote in favour of the continuity of the Company's activity.

XI. AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY (SIXTEENTH, SEVENTEENTH AND EIGHTEENTH RESOLUTIONS)

In the sixteenth to eighteenth resolutions, it is proposed that the shareholders amend the Company's Articles of Association as follows:

- the sixteenth resolution relates to the amendment of article 17.1 of the bylaws relating to the powers of the Board of Directors in order to bring it into compliance with the new wording of article L. 225-35 paragraph 1 of the French Commercial Code (as amended by law no. 2019-486 of 22 May 2019 relating to the growth and transformation of companies). It would be specified that the Board of Directors determines the orientations of the company's activity and ensures their implementation, in accordance with its social interest, taking into consideration the social and environmental stakes of its activity;
- the seventeenth resolution concerns the amendment of Articles 14.7 and 33 of the Articles of Association in order to reflect the new wording of Article L. 225-45 of the French Commercial Code (as amended by Law No. 2019-486 of May 22, 2019 relating to the growth and transformation of companies) by replacing the term "directors' fees" by "compensation";
- the eighteenth resolution relates to the amendment of Article 16 of the Articles of Association relating to the deliberations of the Board of Directors in order to allow the Board of Directors to take decisions by written consultation under the conditions set by law, in accordance with the option provided for by the new wording of

Article L. 225-37 of the French Commercial Code (as amended by Law no. 2019-744 of July 19, 2019 on the simplification, clarification and updating of company law).

ON AN ORDINARY AND EXTRAORDINARY BASIS

XII. POWERS TO COMPLETE THE FORMALITIES (NINETEENTH RESOLUTION)

Finally, you are asked to grant all necessary powers to the holder of an original, copy or extract of the minutes of this General Meeting to complete all legal and/or administrative formalities, to file any documents and to satisfy any publication requirements provided for by the legislation in force.

We trust that these proposals will meet your approval and, accordingly ask you to vote in favor of the draft resolutions submitted to you.

The Board of Directors

This "Special Report of the Board of Directors on stock-options" is a non-official translation into English of the "Rapport Spécial du Conseil d'administration sur les options de souscription et d'achat d'actions" issued in French language and is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French law.

SPECIAL REPORT OF THE BOARD OF DIRECTORS ON TRANSACTIONS MADE UNDER THE PROVISIONS OF ARTICLES L.225-177 TO L. 225-186 OF THE FRENCH COMMERCIAL CODE (STOCK OPTIONS)

FINANCIAL YEAR ENDED DECEMBER 31, 2018

To the Shareholders,

In accordance with the provisions of article L. 225-184 of the French Commercial Code we have the honour of reporting to you on transactions carried out under articles L. 225-177 to L. 225-186 of the said Code relating to stock options.

We can report that no stock option plan was implemented over the course of the year under the provisions of the above articles.

I – OPTIONS GRANTED TO AND EXERCISED BY COMPANY OFFICERS

We can report that no stock option was granted over the course of the financial year to company officers in recognition of their functions and duties within Recylex SA ("the Company"), either by the Company or by companies related to it under the terms of article L. 225-180 of the French Commercial Code:

Name and function of beneficiary	Number of options granted	Purchase or subscription	Price (in euros)	Expiry	Company involved
N/A					

We confirm that no stock option was allocated over the course of the financial year to company officers of the Company, in recognition of the functions and responsibilities exercised within the Company, by controlled companies under the definition of article L. 233-16 of the French Commercial Code:

Name and function of of beneficiary	Number of options granted	Purchase or subscription	Price (in euros)	Expiry	Company involved
N/A					

We confirm that no stock option held on the Company or on companies related to it under the terms of Article L.225-180 of the French Commercial Code or controlled by it under the definition of Article L.233-16 of the French Commercial Code, was exercised by any company officer of the Company during the financial year:

Name and function of beneficiary	Number of options exercised	Purchase or subscription	Price (in euros)	Exercise date	Company involved
N/A					

II – OPTIONS GRANTED TO AND EXERCISED BY EMPLOYEES

We confirm that no stock option was allocated over the course of the financial year by the Company nor by those companies or groups related to it under the provisions of article L.225-180 of the French Commercial Code to employees of the Company other than company officers:

Name and function of beneficiary	Number of options granted	Purchase or subscription	Price (in euros)	Expiry	Company involved
N/A					

We report to you hereafter the stock options binding on the Company and affiliated companies or groups related to it under the definition of the said article L. 225-180 of the French Commercial Code, which were exercised over the financial year by Company employees who are not company officers.

Beneficiary	Number of options exercised	Purchase or subscription	Price (in euros)	Exercise date	Company involved	Function
Jean-François HUCHARD	6000	Subscription	5,70	22/02/2018	Recylex S.A.	Plants Manager (until January 31, 2018)
Baptiste PLANCKAERT	5000 5000	Subscription Subscription	5,70 5,70	28/02/2018 03/05/2018	Recylex S.A.	Purchasing Manager

The Board of Directors

This "Special Report of the Board of Directors on free share allocations" is a non-official translation into English of the "Rapport Spécial du Conseil d'administration sur l'attribution d'actions gratuites"" issued in French language and is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French law.

SPECIAL REPORT OF THE BOARD OF DIRECTORS ON TRANSACTIONS MADE UNDER THE PROVISIONS OF ARTICLES L.225-197-1 TO L. 225-197-3 OF THE FRENCH COMMERCIAL CODE (FREE SHARE ALLOCATIONS)

FINANCIAL YEAR ENDED DECEMBER 31, 2018

To the Shareholders,

In accordance with the provisions of article L. 225-197-4 of the French Commercial Code we have the honour of reporting to you on transactions carried out under articles L. 225-197-1 to L. 225-197-3 of the said Code relating to the free allocation of shares to employees and company officers of Recylex SA ("the Company").

I – FREE ALLOCATIONS OF SHARES TO COMPANY OFFICERS

We can report that no free allocation of shares was made over the course of the year to Company officers in relation to their duties and functions within the Company either by the Company or by those related to it under the provisions of article L. 225-197-2 of the French Commercial Code.

In accordance with the provisions of article L. 225-184 of the French Commercial Code we have the honour of reporting to you on transactions carried out under articles L. 225-177 to L. 225-186 of the said Code relating to stock options.

Name and function of beneficiary	Number of shares allocated	Value	Company involved
N/A			

We confirm that no free share was allocated over the course of the year to company officers of the Company, in recognition of the functions and responsibilities exercised within the Company, by controlled companies under the definition of Article L.233-16 of the French Commercial Code.

Name and function of beneficiary	Number of shares allocated	Value	Company involved
N/A			

II - FREE ALLOCATIONS OF SHARES TO EMPLOYEES

We confirm that no free share was allocated over the course of the year by the Company and by those companies or groups related to it under the provisions of article L.225-197-2 of the French Commercial Code to employees of the Company other than company officers:

Name and function of beneficiary	Number of shares allocated	Value	Company involved	Function
N/A				

The Board of Directors

This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments with third parties that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code (Code de Commerce) and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

SHAREHOLDERS' MEETING TO APPROVE THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

To the Shareholders' Meeting of Recylex S.A.

In our capacity as statutory auditors of your Company, we hereby report to you on regulated agreements and commitments. The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, as well as the reasons justifying that such commitments and agreements are in the Company's interest, without expressing an opinion on their usefulness and appropriateness or identifying other such agreements and commitments, if any. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code (*Code de commerce*), to assess the interest involved in respect of the conclusion of these agreements and commitments for the purpose of approving them.

Our role is also to provide you with the information stipulated in Article R. 225- 31 of the French Commercial Code relating to the implementation during the past year of agreements and commitments previously approved by Shareholders' Meeting, if any.

We conducted our procedures in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement. These guidelines require that we agree the information provided to us with the relevant source documents.

AGREEMENTS AND COMMITMENTS SUBMITTED TO THE APPROVAL OF THE SHAREHOLDERS' MEETING

Agreements and commitments authorized and concluded during the year

Pursuant to Article L. 225-40 of the French Commercial Code, the following agreements and commitments, entered into during the year and previously authorized by the Board of Directors, have been brought to our attention.

- ***Amendments to the technical cooperation agreement between your Company and Glencore International AG***

Directors concerned: Mrs. Laetitia Seta and Mr. Christopher Eskdale

On October 1, 2014, your Company signed a technical cooperation agreement with its subsidiary Weser-Metall GmbH and Glencore International AG whereby Weser-Metall GmbH and Glencore International AG agreed to exchange technical information with the objective of increasing the efficiency and long-term performance of the Weser-Metall smelting plant and thereby improve the long-term economic performance of the Group and, hence, enable your Company to repay the loan granted by Glencore International AG to your Company.

This agreement was authorized by the Board of Directors' meeting of September 23, 2014, which considered it was in the interests of your Company, given its link to the aforementioned loan agreement and the interest for the Company of securing this loan.

In a letter dated January 17, 2018 representing a contract amendment, the technical cooperation agreement was modified to include a technical audit assignment conducted by Glencore International AG health and safety experts, on the situation of the Weser-Metall GmbH subsidiary and other Group subsidiaries, remunerated at a daily rate of €1,500.

The amendment of this technical cooperation agreement was entered into in the Company's interest following the change in Executive Management and was authorized by the Board of Directors' meeting of March 16, 2018.

In a letter dated April 23, 2018 representing a contract amendment, the technical cooperation agreement was modified to include a specific technical assistance assignment for the update of your Group's risk hedging policy for metal prices, involving the assistance of Glencore International AG's technical experts, remunerated at a daily rate of €1,200.

The amendment of this previously approved technical cooperation agreement was authorized by the Board of Directors' meeting of April 13, 2018 in the Company's interest.

This cooperation agreement did not generate an expense for Recylex S.A. in fiscal year 2018.

Agreements and commitments approved during previous years

a) with continuing effect during the year

Pursuant to Article R. 225-30 of the French Commercial Code, we have been informed that the following agreements and commitments, previously approved by prior-year Shareholders' Meetings, have remained in force during the year.

- ***Loan Agreement between your Company and Glencore International AG***

Directors concerned: Mrs. Laetitia Seta and Mr. Christopher Eskdale

On October 1, 2014, your Company signed a loan agreement with Glencore International AG with the following main terms and conditions:
- Maximum amount: €16 million;
- Purpose: payment of the last two installments under your Company's business continuation plan and cash requirements provisioned in your Company's accounts as of June 30, 2014;
- Interest: 7% per annum + Libor, payable half-yearly;
- Repayable in full in one installment on June 30, 2009 or in advance either at the initiative of your Company or in case of events that make or are likely to make the financial situation of your Company significantly worse.

This agreement was authorized by the Board of Directors' meeting of September 23, 2014, which considered it was in the interests of your Company, given the forecast cash requirements identified by your Company at the authorization date.

In fiscal year 2017, in the context of the payment plan for the €26.7 million fine imposed by the European Commission, Glencore International AG accepted to defer the repayment date for this loan facility to June 30, 2024.

As the amendment of this agreement was a prerequisite to the acceptance of the payment plan for the European Commission fine, it was authorized by the Board of Directors' meeting of May 24, 2017 in the interests of your Company.

Your Company performed drawdowns totaling €16 million on this loan facility, generating interest of €1,085 thousand in fiscal year 2018.

- ***First rank pledge agreement between your Company and Glencore International AG on shares held by your Company in Recytech S.A. (50%)***

Directors concerned: Mrs. Laetitia Seta and Mr. Christopher Eskdale

On October 1, 2014, to guarantee the repayment of the aforementioned loan, your Company entered into a pledge agreement with Glencore International AG, whereby your Company granted a pledge in favor of Glencore International AG on all shares held by your Company in Recytech S.A. (owned 50%), as well as a cash proceeds special account to be credited with any future dividends received by your Company from Recytech S.A. Your company is free to use this cash proceeds special account except in case of events that make or are likely to make the financial situation of your Company significantly worse, as detailed in the above loan agreement.

This agreement was authorized by the Board of Directors' meeting of September 23, 2014, which considered it was in the interests of your Company as ancillary to the aforementioned loan agreement and given the interest for your Company of securing this loan.

- ***Provision by Glencore International AG of a credit facility in favor of your Company***

Directors concerned: Mrs. Laetitia Seta and Mr. Christopher Eskdale

Glencore International AG provided your Company with a credit facility available from April 16, 2003 to August 29, 2003 and capped at €12 million, bearing interest at one-month Euribor + 1%.
This agreement was authorized by the Board of Directors' meeting of April 8, 2003.

At your Company's request, Glencore International AG accepted to defer until November 24, 2019 repayment of the residual receivable included in your Company's continuation plan of €4,900,507, in accordance with the same conditions provided for by the plan.

This agreement was authorized by the Board of Directors' meeting of October 16, 2013.

In fiscal year 2017, in the context of the payment plan for the €26.7 million fine imposed by the European Commission, Glencore International AG accepted to defer the repayment date to 2026 for its receivable, initially scheduled for November 24, 2019.

As the amendment of this agreement was a prerequisite to the acceptance of the payment plan for the European Commission fine, it was authorized by the Board of Directors' meeting of May 24, 2017 in the interests of your Company.

- ***Debt waiver with a claw-back clause in favor of Glencore International AG***

Directors concerned: Mrs. Laetitia Seta and Mr. Christopher Eskdale

As part of your Company's continuation plan, approved by the Board of Directors' meeting of September 5, 2005, Glencore International AG waived its receivable of €17,812,955, subject to a claw-back clause. Under this claw-back clause, your Company irrevocably undertook, as from December 31, 2015, to allocate 20% of its available cash (i.e. cash and short-term securities), as of December 31 of each fiscal year, to the repayment of the outstanding balance on a pari passu basis between the continuation plan creditors benefiting from the financial recovery clause, with no limit in time.

Based on this claw-back clause, your Company has recognized a liability amounting to €197.8 thousand as of December 31,2018

- ***Second rank pledge agreement between your Company and Glencore International AG on shares held by your Company in Recytech S.A. (50%)***

Directors concerned: Mrs. Laetitia Seta and Mr. Christopher Eskdale

On December 5, 2016, the Group's German subsidiaries, Recylex GmbH, Weser-Metall GmbH, Harz-Metall GmbH, PPM Pure Metals GmbH, Norzinco GmbH, C2P Germany GmbH and Recylex Grundstücksverwaltungs GmbH, signed a loan agreement with a bank consortium for €67 million, subject to the lifting of several conditions precedent (hereinafter the "Loan").

Among the conditions precedent for the Loan, in December 2016 Glencore International AG granted commitments to the German subsidiaries, Recylex GmbH, Harz-Metall GmbH, Weser-Metall GmbH, Norzinco GmbH, C2P-Germany GmbH, PPM Pure Metals GmbH and Recylex Grundstücksverwaltungs GmbH, notably to cover any overrun in the budget for Weser-Metall GmbH's new reduction furnace (capped at €10 million) and any specific cash requirements of these German subsidiaries (capped at €25 million).

In addition, under the conditions precedent for the Loan and with a view to guaranteeing the performance of its obligations stipulated in the Loan agreement, the shares of Recylex GmbH, Harz-Metall GmbH and Weser-Metall GmbH were transferred to two special purpose Trustees under a Trust agreement governed by German law signed on December 19, 2016 between Recylex Beteiligungsgesellschaft Eins, a wholly-owned subsidiary of your Company, Recylex Beteiligungsgesellschaft Zwei, a wholly-owned subsidiary of your Company, Recylex GmbH, Weser-Metall GmbH, Harz-Metall GmbH, the two Trustees and Glencore International AG. The Recylex group entities retain the economic ownership of these entities and continue to exercise and benefit from their shareholder rights, provided the borrowers do not default on their obligations.

In the context of this Trust arrangement, Glencore International AG has suspended, for the term of the Trusteeship, its rights under the aforementioned first rank pledge on the Recylex GmbH shares, guaranteeing the performance by your Company of its obligations pursuant to the claw-back clause set out in your Company's aforementioned continuation plan.

On December 19, 2016, in order to guarantee the performance by the German subsidiaries of their obligations under the aforementioned commitments granted by Glencore International AG and your Company's obligations to Glencore International AG under the aforementioned claw-back clause, your Company entered into an agreement providing a second rank pledge in favor of Glencore International AG on all the shares held by your Company in Recytech S.A. (i.e. 50%), as well as a cash proceeds special account which will be credited by future dividends received by your Company from Recytech S.A. Your company is free to use this cash proceeds special account except in the event of failure by the German subsidiaries or by your Company to respect their aforementioned obligations, duly notified.
This agreement was authorized by the Board of Directors' meeting of November 7, 2016, which considered it was in the interests of your Company in connection with the conditions precedent to obtain the Loan.

- ***Pledge in favor of Glencore International AG on shares held by your Company in Recylex GmbH***

Directors concerned: Mrs. Laetitia Seta and Mr. Christopher Eskdale

1) **Guaranteeing repayment of a credit facility**

To guarantee the repayment of amounts due under a credit facility granted by Glencore International AG in favor of your Company on September 30, 2002, your Company granted a first rank pledge to Glencore International AG on all shares held by your Company in Recylex GmbH.

This agreement was authorized by the Board of Directors' meeting of September 20, 2002.

Costs and interest relating to the aforementioned credit facility having not been paid in full, were recorded in liabilities in your Company's continuation plan. As the continuation plan is stated as being "interest free", the repayment of receivables under this plan does not bear interest.

At your Company's request, Glencore International AG accepted to defer until November 24, 2019 repayment of the residual receivable included in your Company's continuation plan of €149,572, in accordance with the same conditions provided for by the plan.

The amendment to this agreement was authorized by the Board of Directors' meeting of October 16, 2013.

In fiscal year 2017, in the context of the payment plan for the €26.7 million fine imposed by the European Commission, Glencore International AG accepted to defer the repayment date to 2026 for this receivable.

As the amendment of this agreement was a prerequisite to the acceptance of the payment plan for the European Commission fine, it was authorized by the Board of Directors' meeting of May 24, 2017 in the interests of your Company.

2) **Guaranteeing repayment of amounts due under the claw-back clause stipulated in your Company's continuation plan**

Glencore International AG holds a second rank pledge on all shares held by your Company in Recylex GmbH guaranteeing the repayment of a receivable initially owed to the Company's historical banks and assigned by them in July 2005 to Glencore International AG, accompanied by the pledge guaranteeing repayment. Your Company was notified of the assignment of the receivables on September 1, 2005.

Following the decision of the Paris Commercial Court of December 15, 2015 noting the proper performance of the continuation plan, the claw-back clause stipulated in this plan gave rise to the recognition in favor of Glencore International AG of this receivable amounting to €17,812,956, repayment of which is guaranteed by a second rank pledge on all shares held by your Company in Recylex GmbH.

The continuation plan, including the claw-back clause, was approved by the Board of Directors of your Company on September 5, 2005.

Under this claw back clause, your Company irrevocably undertook, as from December 31, 2015, to allocate 20% of its available cash (i.e. cash and short-term securities), as of December 31 of each fiscal year, to the repayment of the outstanding receivables on a pari passu basis between the continuation plan creditors benefiting from the claw-back clause, with no limit in time.

In the context of the Loan and the Trust agreement described above and entered into in December 2016, Glencore International AG suspended, for the entire duration of the Trusteeship implemented until repayment in full of the Loan, its rights under the pledge on Recylex GmbH shares held by your Company.

- ***Amendments to the technical cooperation agreement between your Company and Glencore International AG***

Directors concerned: Mrs. Laetitia Seta and Mr. Christopher Eskdale

On October 1, 2014, your Company signed a technical cooperation agreement with its subsidiary Weser-Metall GmbH and Glencore International AG whereby Weser-Metall GmbH and Glencore International AG agreed to exchange technical information with the objective of increasing the efficiency and long-term performance of the Weser-Metall smelting plant and thereby improve the long-term economic performance of the Group and, hence, enable your Company to repay the loan granted by Glencore International AG to your Company.

This agreement was authorized by the Board of Directors' meeting of September 23, 2014, which considered it was in the interests of your Company, given its link to the aforementioned loan agreement and the interest for the Company of securing this loan.

b) without effect during the year

In addition, we have been informed of the following commitments and agreements, previously approved by Shareholders' Meetings of prior years, which had no effect during the year.

- ***Commitment to contribute to transportation costs and steel mill dust recycling costs on the industrial site of Recytech S.A. (owned 50%) in case of closure or cessation of Recytech S.A.***

Director concerned: Mr. Sebastian Rudow since 11/30/2017

Decree n°2012-633 published on May 3, 2012 includes the obligation for certain installations treating waste and classified for the protection of the environment, to set up financial guarantees to ensure the clean-up and rehabilitation of the site in case of closure. In this context, your Company committed to contribute to the transportation costs and to the steel mill dust recycling costs on the industrial site of Recytech S.A. in case of closure or cessation of Recytech S.A.

This agreement was authorized by the Board of Directors' meeting of March 27, 2014.

- ***End of the commitment governed by Articles L.225-38 et seq. of the French Commercial Code in favor of Mr. Yves Roche***

During its meeting of August 30, 2011, your Company's Board of Directors decided to approve the establishment of a "PERCO" collective Group pension savings plan for Company employees and a mandatory Group defined contribution pension plan under the regime provided for in Article 83 of the French General Tax Code ("Article 83").

In connection with the establishment of the two supplementary pension plans for Company employees presented below, the Company sought to authorize Mr. Yves Roche to also benefit from such plans, under the conditions and subject to the limitations provided under French law, and under the same conditions as other Company employees.

The purpose of the PERCO plan is to enable beneficiaries who are eligible for employee savings vehicles, pursuant to prevailing regulations, to collectively contribute, with the Company's assistance, to the gradual creation of a portfolio of marketable securities and take advantage of the related tax benefits.

The regime under Article 83 seeks to guarantee funding for the payment of a supplementary pension exclusively in the form of a life annuity under a mandatory Group plan contracted by the Company with Generali. Accordingly, the Company is required, as from April 1, 2012, to fund this regime in the amount of 2% of Tranche A (percentage of compensation limited to the French Social Security ceiling), of Tranche B (percentage of compensation exceeding the French Social Security ceiling without exceeding the AGIRC ceiling) and of Tranche C (percentage of compensation exceeding the French Social Security ceiling without exceeding twice this ceiling). The applicable rate as of April 1, 2016 was 1.5%.

During its meeting of March 21, 2012, your Company's Board of Directors decided to authorize Mr. Yves Roche to benefit from the two aforementioned "PERCO" and "Article 83" supplementary pension plans, under the conditions and subject to the limits provided for by Law.

During its meeting of April 13, 2018, the Board of Directors considered that the regulated agreements and commitments benefiting Mr. Yves Roche were no longer applicable due to the termination of his duties as Chairman and Chief Executive Officer on November 30, 2017.

Paris La Défense, June 17, 2020

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