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Press release

Half-year results 2020

Recylex S.A. (Euronext Paris: FR0000120388 - RX) publishes today its consolidated financial results for the first half of 2020, as approved by the Board of Directors at its meeting on December 16, 2020. For more details, the 2020 Half-Year Financial Report, filed today with the *Autorité des Marchés Financiers*, can be consulted on the company's website www.recylex.eu (Finance - Publications section).

1. Context of the closing of the 2020 half-year financial statements

As a reminder¹, following the filing for insolvency under the German law on May 14, 2020 by all the German sub-group, Recylex S.A. definitively lost control of these entities, which consequently led to the deconsolidation of the entire German scope of consolidation with effect from May 2020. Since then, the Recylex Group consists² solely of the French operations, which are Recylex S.A.'s two used lead-acid battery recycling plants, C2P S.A.S. in the polypropylene recycling business and Recytech S.A.'s 50% joint venture.

Like the 2019³ consolidated and parent company financial statements, the closing of the 2020 half-year financial statements is characterized by the uncertainties that still weigh on the company's ability to continue as a going concern and on the realization of the assumptions structuring its financial plan, which were taken to close the 2020 half-year consolidated financial statements.

This going concern depends on the fulfilment of several structuring assumptions⁴ relating to the continuation of a business activity with Weser-Metall GmbH, the restructuring of Recylex S.A.'s financial and non-financial debt and to the disposal of non-operating assets.

In this context, the suspension of the share's listing remains in place until Recylex is in a position to communicate reliably on its going concern outlook.

2. Consolidated results and balance sheet items as of June 30, 2020

In order to enable an assessment of the 2020 consolidated figures in the context of the Group's new scope of consolidation following the loss of control of the German entities in May 2020, certain key aggregates of the Recylex Group's 2019 and 2020 financial information are presented under "New scope of consolidation", excluding those entities that have been deconsolidated².

2.1 Income statement items

<i>in millions of euros</i>	As of 30/06/2020	As of 30/06/2019	As of 30/06/2020 New scope of consolidation	As of 30/06/2019 New scope of consolidation	<i>Change New scope of consolidation</i>
Sales	82.0	153.6	26.3	37.0	-10.7
EBITDA ⁵	(14.1)	(12.9)	(3.7)	(1.2)	-2.5
Operating income/(loss) before non-recurring items	(23.8)	(18.4)	(10.2)	(2.0)	-8.2
Net income	129.4	(21.4)	148.3	0.5	+147.8

Consolidated sales at June 30, 2020 amounted to €82.0 million euros. Sales of the new scope of consolidation (i.e. without taking into account the entities of the German sub-group) amounted to €26.3 million compared to €37.0 million in the first half of 2019.

In the context of a general economic slowdown in the first half of 2020 related to the health measures linked to the SARS-CoV-2 pandemic, the decline in activity in the new scope of consolidation is

explained by the decline in the performance of the Lead segment impacted by the reduction in volumes processed by the two used lead battery recycling plants in France and by the fall in lead prices (-8% compared to the first half of 2019) but also by a sharp reduction in sales in the Plastics segment given this context.

In the first half of 2020, consolidated EBITDA⁵ reached -€14.1 million. The consolidated EBITDA⁵ of the new scope of consolidation amounted to -€3.7 million compared to -€1.2 million in the first half of 2019.

This erosion in operating profitability of the new scope of consolidation is mainly explained by (i) the disappearance of the mechanism for sharing structure costs between the Group's holding company and the German entities that were deconsolidated (-€1,7 million) and (ii) the lower financial performance of the Lead and Plastics businesses (-€0.8 million) due to lower volumes in both businesses and lower sales margin in the Lead segment.

Consequently, while the Group recorded a current operating loss of €23.8 million in the first half of 2020 compared to €18.4 million in the first half of 2019, the current operating loss of the new scope of consolidation was €10.2 million compared to a loss of €2.0 million in the first half of 2019. This sharp deterioration in recurring operating income is notably due to the impairment of trade receivables from entities of the German sub-group in the amount of €5.2 million.

In the first half of 2020, income from associates (50% stake in Recytech S.A.S) amounted to €0.7 million, a down €3.1 million compared with the first half of 2019, given the sharp fall in zinc prices over the period.

The Group reported a net income of €129.4 million at June 30, 2020, compared with a net loss of €21.4 million at June 30, 2019, reflecting the impact of the deconsolidation of the German entities in the first half of 2020 in the amount of €159.4 million. This impact is solely of an accounting nature and reflects the negative consolidated contribution in the past of the German sub-group to the Group's net equity.

2.2 Balance sheet Items

<i>in millions of euros</i>	As of 30/06/2020	As of 31/12/2019	<i>Variation</i>	As of 31/12/2019 New scope of consolidation	<i>Change New scope of consolidation</i>
Cash and cash equivalents	13.1	9.1	+4.0	5.2	+7.9
Net cash ⁶	13.1	(5.9)	+19.0	5.2	+7.9
Equity	(37.5)	(168,7)	+131.2	-	-
Net debt	41,5	176.9	-135.4	49.1	-7.6

Consolidated gross cash at June 30, 2020 was €13.1 million, an increase of €4.0 million compared to December 31, 2019. It should be noted that as of June 30, 2020 the Group had no credit lines, unlike as of December 31, 2019 when it had credit lines of €15.0 million, which were fully drawn down at the level of the German sub-group.

As a result of the deconsolidation of the German sub-group in the first half of 2020, the Group's net cash position was positive for €13.1 million euros as of June 30, 2020, compared to a negative position of -€5.9 million as of December 31, 2019. The net cash position of the new scope of consolidation increased by €7.9million. This temporary increase in the cash position of the new scope of consolidation is explained by:

- A positive cash flow from operating activities of €6.4 million following a strong decrease in working capital requirements of €10.1 million on both activities which more than compensated the loss generated by both activities;
- Dividends from Recytech SA (equity method consolidated company) in the amount of 4.0 million euros;
- A positive cash flow of €0.7 million euros related to the repayment of part of the compensation paid by Recylex S.A. in respect of claims by former employees of Metaleurop Nord following the decision of the French Supreme Court of Appeals of May 24, 2018 in favor of Recylex S.A.

Cash flows generated by the reduction in working capital requirements made it possible to finance (i) maintenance investments (€0.5 million), (ii) the repayment of the European Commission's fine payment plan in the amount of €0.8 million (including interest) and (iii) expenses related to the rehabilitation of former sites in the amount of €2.1 million (including €1.5 million for the Estaque site).

As of June 30, 2020, the parent company Recylex S.A.'s available cash position was €11.6 million compared to €4.5 million as of December 31, 2019. This temporary increase in cash and cash equivalents is explained by:

- A sharp decrease in working capital requirements due in particular to a sharp reduction in trade receivables and inventories following the slowdown in activity in April 2020 in connection with the SARS-CoV-2 pandemic;
- The effect of the introduction of a prepayment system for Recylex S.A.'s deliveries to Weser Metall GmbH since May 14, 2020.

However, the Company believes that its cash position is expected to decrease significantly by the end of fiscal year 2020 as a result of an anticipated increase in working capital requirements in the second half of 2020 and accumulated operating losses due to reduced volumes in the context of confinement measures related to the second wave of the SARS-CoV-2 pandemic in autumn 2020.

Net financial debt amounted to €41.5 million compared to €176.9 million at December 31, 2019. This decrease of €135.4 million compared to December 31, 2019 is explained by the effect of the deconsolidation of the German sub-group whose share in net financial debt at December 31, 2019 amounted to €130.5 million. The Group's net financial debt as of June 30, 2020 breaks down as follows:

- A loan of €16.0 million contracted in 2014 with Glencore International AG. The filing for insolvency proceedings at the level of the German sub-group entities rendered this loan payable at any time. On May 18, 2020, the Group obtained a waiver from Glencore International AG until October 31, 2020 of its right to declare this loan immediately payable. This deferral was conditionally extended to end of February 2021.
- The debt related to the European Commission fine for an amount of €24.5 million.
- The clawback clause under the 2005-2015 continuation plan for an amount of €4.1 million. The due amounts of the debt under the financial clawback clause amount to €1.7 million as of June 30, 2020, with Glencore international AG as the main creditor for €1.6 million euros.
- The rescheduled debt resulting from Recylex S.A.'s continuation plan amounted to €7.9 million, including €5.1 million owed to Glencore International AG (due in 2026).
- Lease debt in accordance with IFRS 16 amounting to €1.5 million.

The Group's equity reached a negative amount of €37.5 million at June 30, 2020 compared to an also negative amount of €168.7 million at December 31, 2019.

This improvement is mainly due to the effect of the deconsolidation in the first half of 2020 of the German entities whose contribution to shareholders' equity was strongly negative.

3. Consolidated results by segment at June 30, 2020 (excluding Holding and Environment)

3.1 Evolution of metal prices in Euros as of June 30, 2020

€ per ton	Average for the first half of 2020	Average for the first half of 2019	Change (%)
Lead price	1,598	1,736	-8%
Zinc price	1,857	2,419	-23%
€/€ exchange rate	1.1022	1.1298	-2%

Source: London Metal Exchange.

3.2 Results by segment as of June 30, 2020

Lead segment (83% of consolidated sales – new scope of consolidation)

in millions of euros	As of 30/06/2020	As of 30/06/2019	As of 30/06/2020 New scope of consolidation	As of 30/06/2019 New scope of consolidation	Change New scope of consolidation
Sales	72.1	94.1	21.8	29.9	-8.1
Operating income/(loss) before non-recurring items	(9.8)	(13.6)	(2.1)	0.1	-2.2

In the first half of 2020, sales for the new scope of consolidation of the Lead segment amounted to €21.8 million, a decrease of 27% compared to the first half of 2019.

Due to health measures and the economic slowdown related to the SARS-CoV-2 pandemic, the activities of the Group's two used lead-acid battery recycling plants in France (Recylex S.A.) were almost entirely shut down between April and May 2020, with "short-time working" measures for their employees⁷. In this context, Recylex S.A. recycled 26,800 tonnes of used lead-acid batteries in the first half of 2020 (-16% compared to the first half of 2019).

Over the period, the fall in lead prices coupled with the deterioration in commercial conditions for sales and the rise in the price of used lead-acid batteries at the point of purchase weighed heavily on this segment's margin. As a result, the Lead segment recorded a current operating loss of €2.1 million for the six months ended in June 30, 2020, compared to a breakeven result in the first half of 2019 (new scope of consolidation).

It should be noted that following the deconsolidation of Weser-Metall GmbH and Harz-Metall GmbH, the Lead segment now comprises only Recylex S.A.'s activities in France.

Plastic segment (15% of consolidated sales – new scope of consolidation)

<i>in millions of euros</i>	As of 30/06/2020	As of 30/06/2019	As of 30/06/2020 New scope of consolidation	As of 30/06/2019 New scope of consolidation	<i>Change New scope of consolidation</i>
Sales	3.8	6.9	3.8	6.0	-2.2
Operating income/(loss) before non-recurring items	(0.5)	(0.7)	(0.5)	(0.2)	-0.3

Sales reached €3.8 million at June 30, 2020, down 37% compared to June 30, 2019 (new scope of consolidation). Given the very sharp slowdown in global demand for recycled polypropylene, particularly in the automotive sector weakened by the effects of the SARS-CoV-2 pandemic, C2P S.A.S.'s activity in France was drastically reduced in April 2020 and gradually resumed from May 2020.

In this context, the segment's operating income/loss before non-recurring items showed a loss of €0.5 million for the six months ended in June 30, 2020, compared to a loss of €0.2 million for the same period in 2019.

It should be noted that following the deconsolidation of C2P GmbH in the context of the insolvency proceedings under German law opened in May 2020, the Plastics segment now comprises only the activities of C2P S.A.S. in France.

Zinc segment⁸

<i>in millions of euros</i>	As of 30/06/2020	As of 30/06/2019	As of 30/06/2020 New scope of consolidation	As of 30/06/2019 New scope of consolidation	<i>Change New scope of consolidation</i>
Sales	20.6	43.4	-	-	-
Operating income/(loss) before non-recurring items	(4.5)	0.7	-	-	-

Following the deconsolidation of the German entities Norzinc-GmbH and Harz-Metall GmbH, the Zinc segment now only consists of the 50% stake in Recytech S.A. in France, which is reported under the equity method in the consolidated financial statements in accordance with IFRS. For this reason, sales and results of this joint venture are no longer included in the segment reporting. In this context, the Zinc segment no longer exists in the new scope of the Recylex Group's activities.

The first-half 2020 consolidated sales for this segment represent the sales of the German scope until May 2020, the date of deconsolidation of these entities. It reached €20.6 million in the first half of 2020. The segment reported an operating loss of €4.5 million as of June 30, 2020.

Special metals segment

<i>in millions of euros</i>	As of 30/06/2020	As of 30/06/2019	As of 30/06/2020 New scope of consolidation	As of 30/06/2019 New scope of consolidation	<i>Change New scope of consolidation</i>
Sales	5.7	9.1	-	-	-
Operating income/(loss) before non-recurring items	(1.5)	(0.8)	-	-	-

Sales of the Special Metals segment represent the sales of PPM Pure Metals GmbH until May 2020, the date of deconsolidation of this entity. It generated sales on the amount of €5.7 million as of June 30, 2020, and reported a current operating loss of €1.5 million as of June 30, 2020⁹.

It should be noted that following the deconsolidation of PPM Pure Metals GmbH, the Special Metals segment no longer exists within the scope of the Recylex Group's activities.

4. Update on current legal proceedings concerning Recylex S.A.

The document summarizing the proceedings concerning Metaleurop Nord S.A.S. and Recylex S.A., updated on December 11, 2020, is available on the [Finance section](#) of the Recylex Group website.

5. Outlook¹⁰

Recylex S.A.'s ability to continue as a going concern is based on short-, medium- and long-term financial prospects and cash flow forecasts based on the information available to date, taking into account the new scope of its activities but also other parameters, in particular cyclical factors linked to changes in the economic environment. This new outlook is based on several structuring assumptions:

- The continuation of the business relation with Weser-Metall GmbH and the continuing supply of secondary materials to the Weser-Metall GmbH smelter by Recylex S.A.;
- The extension of the deferral beyond the maturity date of the €16 million loan granted in 2014 by Glencore International AG, which has been extended until the end of February 2021 subject to conditions;
- The suspension of the financial interests related to the €16 million loan for at least for the next 12 months, as well as the adjustment of the repayment terms and medium-term interest;
- The temporary suspension of the payment plan for the fine imposed in 2017 by the European Commission as well as a favorable outcome of the discussions initiated with the European Commission regarding the payment of this fine;
- Acceptance by the competent authorities of the request made at the end of May 2020 for a temporary suspension to the rehabilitation works at the Estaque site until December 31, 2021, as well as the postponement of the date for completion of works to December 31, 2024;
- The successful completion of the process for the disposing of certain non-operational assets over the next 12 months.

In the second half of 2020, the Group is already anticipating the effects on its activity of the new confinement measures in connection with the second wave of the SARS-CoV-2 pandemic. The impacts of a possible third wave of the pandemic at the beginning of 2021 on the Group's activity are

not foreseeable today.

During the second wave and the second confinement period, Recylex S.A. noted a significant decline in the availability of used lead-acid batteries. In this context, business in the Lead segment slowed down and Recylex S.A. partly resorted to short time working for its teams.

In addition, C2P S.A.S.'s activity in the Plastics segment remains fragile given the situation in the recycled polypropylene market.

Finally, given current commercial conditions, zinc price levels and the availability of zinc dust for recycling, the Group anticipates a significant reduction in dividends receivable from Recytech S.A. in 2021 in respect of the 2020 financial year.

6. Provisional financial agenda

It should be noted that the Recylex Group published its financial information as of September 30, 2020 on Thursday, November 5, 2020.

- Next publication: Financial information at December 31, 2020, on Thursday, February 11, 2021 (after market close).

1 The main impacts for Recylex S.A. of the opening of insolvency proceedings at the level of the entities of the German subgroup, as identified as of May 14, 2020, were described in the press releases of May 14, 2020 and May 20, 2020. See also the press releases of December 5, 2018, March 26, 2019, June 17, 2019, July 15, 2019, July 31, 2019, October 28, 2019, November 7, 2019, November 27, 2019, December 20, 2019, February 21, 2020, March 19, 2020, April 30, 2020 and May 7, 2020.

2 The impacts of the deconsolidation of the German sub-group entities are presented in Note 3 "Scope of consolidation" to the shortened consolidated financial statements for the six months ended in June 30, 2020.

3 The closing and publication of the 2019 consolidated and parent company financial statements had been postponed until now due to the lack of prospects for the Group's going concern in the context of discussions with the financial partners of the German sub-group with a view of restructuring the debt related to the December 2016 financing. These discussions ended in May 2020 with the implementation of insolvency proceedings for the German entities.

4 See Note 1-B "Financial position and going concern assessment" to the shortened consolidated financial statements as of June 30, 2020. These assumptions and factors of risk are detailed in Note 39 to the 2019 consolidated financial statements and in the "Subsequent events" note to the 2019 parent company financial statements.

5 Current operating income/(loss) before depreciation, amortization, provisions and impairment losses (non-IFRS indicator).

6 Net cash and cash equivalents from used credit lines.

7 See press releases of March 25, 2020 and April 30, 2020.

8 Sales and current operating income of the zinc segment include Norzinco GmbH, for €14.5 million and -€1.1 million respectively at June 30, 2020. Norzinco GmbH has been classified as discontinued operation since December 31, 2019 and is included on a separate line "Result from discontinued operations" in the consolidated financial statement at June 30, 2020.

9 Sales and current operating income of the Special Metals segment correspond to PPM Pure-Metals GmbH, an entity classified as discontinued operation since December 31, 2019, and included on a separate line "Result from discontinued operations" in the consolidated financial statement at June 30, 2020.

10 See Notes 1 and 10 to the shortened consolidated financial statements as of June 30, 2020.

Disclaimer: This press release may contain forward-looking statements that constitute either trends or objectives and should not be construed as forecasts of results or any other performance indicator. This information is by its nature subject to risks and uncertainties, as described in the Company's Annual Report available on its website (www.recylex.fr). More detailed information on Recylex can be found on its website (www.recylex.eu). In this press release, unless otherwise indicated, all changes are expressed on an annual basis (2020/2019).

Raw materials from urban mines

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The Recylex Group is a European specialist in the recycling of lead, zinc and polypropylene.
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