2017 ANNUAL REPORT

RECYLEX

MESSAGE FROM THE CHAIRMAN

Dear shareholders,

I am pleased to have joined Recylex S.A. as new Chairman and Chief Executive Officer end of November 2017. After not only gaining an overview in the meantime, I also captured the current situation and different topics to take care about within the next months and I am looking forward to moving the Group into its future.

There was an improvement in the Recylex Group's financial results in 2017. Its key driver was the rise in metal prices and the higher production levels which largely counterbalanced the major maintenance shutdowns in the Lead and Zinc segments. While facing tough conditions, the Group's Plastics segment held up especially in France and the Special Metals segment ended up with a significant smaller loss. The Group's performance in 2017 is a first recovery step and reflects the Group's strong place in the European circular economy, as well as the commitment of our motivated teams.

Today, Recylex has to keep its way of recovering and to renew itself to stay an important player in the market. Our main priorities in 2018 are to finish the construction of our new reduction furnace and achieve its successful commissioning.

I thank you for your fidelity and would like you to know that I will lead Recylex ahead.

Sincerely yours,

Sebastian Rudow
Chairman and Chief Executive Officer

GROUP PROFILE

The Recylex group is a European specialist in lead recycling (from automotive and industrial scrap batteries), zinc recycling (from electric arc furnace dust and scrap zinc), polypropylene recycling and the production of very high-purity special metals.

Thanks to its industrial vision for the environment, the Group gives a new lease of life to waste, scrap and used materials in order to help meet the growing demand for sustainable and responsible commodities. By harnessing its longstanding, unique know-how, Recylex provides reliable as well as sustainable solutions to the major challenges of the circular economy in Europe, by recovering and regenerating wastes as close as possible to the cities and industries that today are the new urban mines.

Recylex S.A., the Group's parent company, is listed on Euronext Paris (ISIN code: FR0000120388 – Mnemonic: RX).

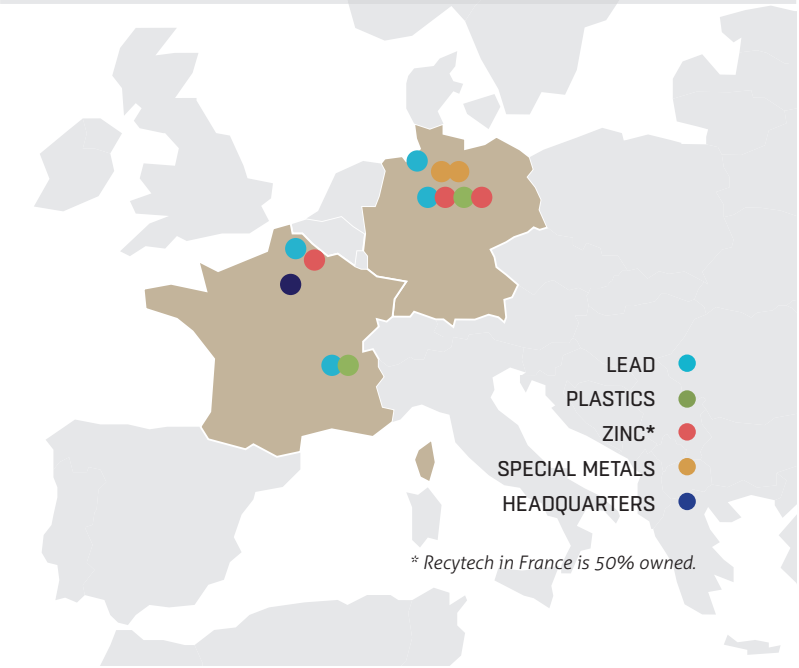
€450 MILLION IN SALES

660 EMPLOYEES

11 INDUSTRIAL SITES IN FRANCE AND GERMANY

350,000 TONNES OF WASTE RECYCLED

ISO 14001 CERTIFICATION (ENVIRONMENT) OF ALL PLANTS



** Recytech in France is 50% owned.*

4 AREAS OF INDUSTRIAL EXPERTISE FOR RESPONSIBLE RECYCLED RAW MATERIALS

LEAD RECYCLING

SALES
€324 MILLION

11 MILLION
USED BATTERIES RECYCLED

320 EMPLOYEES

4 INDUSTRIAL SITES

LEAD PRODUCTION
in tonnes

INTEGRATED LEADER OF LEAD RECYCLING

Drawing on its patented process in scrap batteries treatment and the most energy efficient smelter in Europe, Recylex's integrated lead recycling model is one of the world's most efficient from an industrial and environmental perspective.

The lead-rich materials from recycling scrap batteries processed by Recylex S.A. in France and Harz-Metall GmbH in Germany are converted into lead ingots at Weser-Metall GmbH's smelter. The quality of these ingots and its brand are labeled on the London Metal Exchange.

Recylex is the only European recycler to reach a 92% recycling rate of scrap batteries (valorization of lead, polypropylene and sulfuric acid) pursuant to EU Regulation n°493/2012 regarding the calculation of recycling efficiencies for waste batteries and accumulators.

Second largest lead recycler in Europe, the Group plays a key role in the European circular economy and contributes to making lead the most widely recycled metal worldwide.

ZINC RECYCLING

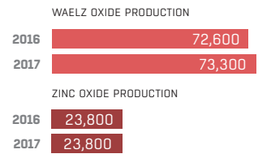
SALES
€98 MILLION

200,800 TONNES
OF ZINC-RICH WASTE RECYCLED

200 EMPLOYEES

3 INDUSTRIAL SITES

OXIDE PRODUCTION
in tonnes



TWO ACTIVITIES DEDICATED TO A SUSTAINABLE ZINC RECYCLING

Harz-Metall GmbH in Germany and Recytech S.A. in France (50% owned) provide a responsible industrial recycling service for steel manufacturers, since electric arc furnace dusts are a potential environmental hazard. These dusts produced by the recycling of steel are enriched in a giant rotary furnace using the Waelz process. The Waelz oxides produced by the Group become secondary raw materials for zinc producers, replacing mining concentrates.

Norzinco GmbH in Germany recycles zinc-bearing waste (guttering, roofing, etc.) using a very high-temperature metallurgical distillation process. These high-purity zinc oxides and zinc dusts are primarily used in the tire, chemicals and cosmetics industries.

With its two recycling activities, the Group has a key contribution to the zinc circular economy in Europe.

POLYPROPYLENE RECYCLING

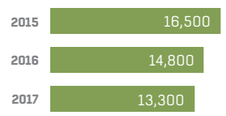
SALES
€14 MILLION

13,300 TONNES
OF POLYPROPYLENE RECYCLED

40 EMPLOYEES

2 INDUSTRIAL SITES

PRODUCTION OF RECYCLED POLYPROPYLENE
in tonnes



PIONEER IN POLYPROPYLENE RECYCLING AND COMPOUND SPECIALIST

Leveraging 30 years' experience in the plastics industry, C2P S.A.S. in France and C2P Germany GmbH are pioneers in recycled polypropylene in Europe.

They recover polypropylene from diversified wastes sectors (such as scrap batteries shells, car bumpers, construction and public works waste, bottle corks collected by local associations, etc.).

The unique know-how developed by C2P lies in its proficiency in grinding, recycling by extrusion process and compounding techniques. The recycled material is enriched with made-to-order additives to obtain high value-added polypropylene, adapted to customer's specifications.

Thanks to its expertise and a team highly attentive to customer needs, the Recylex group contributes via C2P to the sustainable procurement of recycled plastics and to the preservation of natural resources by reducing the consumption of fossil energies.

PRODUCTION OF SPECIAL METALS

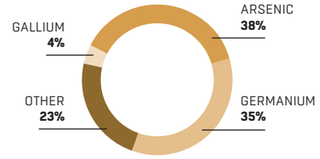
SALES
€14 MILLION

185 TONNES
OF SPECIAL METALS PRODUCED

100 EMPLOYEES

2 INDUSTRIAL SITES

SPECIAL METALS
As a % of sales



WORLDWIDE EXPERT IN HIGH-PURITY SPECIAL METALS

PPM Pure Metals GmbH in Germany has an exceptional expertise in producing and purifying special metals, notably arsenic, germanium, gallium, indium. Although, it primarily processes raw materials, PPM Pure Metals GmbH has also developed a recycling expertise for its products.

Pure Metals GmbH's offers customized products and solutions. These high-purity minor metals and their compounds are designed for high tech applications in the most sophisticated worldwide industries, such as electronics, mobile telephony or infra-red technologies.

These advanced metals are produced in small quantities and refined to an extremely high degree of purity of up to 99.999995%.

2017 figures. Zinc segment sales do not include 50%-owned Recytech S.A.

Designed and produced by: **.tof** / Copyright pictures: © David Millier 2013

Printed on environmentally friendly paper from sustainable forests – PEFC

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

FOR THE YEAR ENDED DECEMBER 31, 2017

The shareholders of Recylex S.A. (hereinafter, the "Company" or "Recylex S.A.") have been convened to a Combined General Meeting to hear the report on the activities of Recylex S.A. and its subsidiaries in the year to December 31, 2017 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 Commercial Code, Recylex S.A. provides the corporate governance disclosures for the financial year 2017 in a separate section of this Report.

1. THE RECYLEX GROUP

In this report, except where otherwise stated, "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 ten 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 Peñarroya.

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

1.1. MARKET CONDITIONS AND GROUP'S BUSINESS ACTIVITIES DURING FY 2017

Trend in metals prices in Euros in the year to December 31, 2017

(€ per tonne)	Average 2017	Average 2016	Change (%)
Lead price	**2,052**	1,694	+21%
Zinc price	**2,561**	1,896	+35%

Source : London Metal Exchange 2018.

In 2017, lead prices were 21% higher than in 2016 on average, but varied widely between quarters. After rising significantly in the first quarter – continuing the increase seen in the third and fourth quarters of 2016 – the lead price fell in the second, rallied slightly in the third and then rose more significantly in the fourth.

The average zinc price was 35% higher in 2017 than in 2016. Despite correcting in the second quarter, and bottoming out at the end of that quarter, the zinc price remained higher than 2016 levels and then rose sharply in the third and fourth quarters of 2017. The zinc price had fallen substantially in the first half of 2016 before rallying sharply in the second half of that year.

In 2017, the average €/$ exchange rate slightly rose by 2% to 1.1295 as opposed to 1.1067 in 2016. However, the Euro was on a steady uptrend throughout the year 2017.

Consolidated key figures

In millions of euros	2017	2016	Change
Sales	**450.3**	**382.1**	**+68.2**
Operating income before non-recurring items	**14.5**	**(0.1)**	**+14.6**
Net income	**18.0**	**(10.1)**	**+28.1**

Lead segment

In millions of euros	2017	2016	Change
Sales	**324.1**	**278.3**	**+45.8**
Operating income before non-recurring items	**7.3**	**3.7**	**+3.6**

The Lead segment's sales accounted for 72% of the Group's consolidated total in 2017. They amounted to €324.1 million as at 31 December 2017, up 16% relative to 2016 because of a sharp rise in lead prices and very good production levels compared with the previous year.

Conditions were favorable in 2017, with sharp rise in lead prices and greater availability of used batteries. Against the background, the Group continued to maintain its margins and the mix of materials processed in the lead smelter moved towards secondary materials. Lead concentrates tolling volumes fell because of weaker commercial conditions.

The Group's used battery processing plants recycled 137,100 tonnes of waste (+24%) and Weser-Metall GmbH's smelter produced 122,600 tonnes of lead ingots (+5%), despite a major maintenance shutdown in the first half of 2017, whereas no such shutdown had taken place in 2016.

For all of those reasons, the Lead segment's economic performance improved again. The Lead segment's operating income before non-recurring items was €7.3 million in 2017, a solid increase on the 2016 figure of €3.7 million. The slight slowdown in the second half of 2017 compared with the first was mainly due to weaker commercial conditions for lead concentrates, and to a lesser extent to a short maintenance shutdown at the Nordenham lead smelter in the fourth quarter.

Given improved performance and the brighter outlook in this segment, the Group released €2.3 million of asset impairment provisions.

Zinc segment

In millions of euros	2017	2016	Change
Sales	**98.4**	**73.2**	**+25.2**
Operating income before non-recurring items	**16.4**	**6.9**	**+9.5**

Zinc sales accounted for 22% of the Group's consolidated total in 2017. They amounted to €98.4 million in 2017, up 34% compared with 2016.

With 178,200 tonnes of electric arc furnace dust processed (vs. 173,700 tonnes in 2016), Waelz oxide production at the Group's two

facilities (Harz-Metall GmbH in Germany and 50%-owned Recytech S.A. in France) amounted to 73,270 tonnes in 2017, as opposed to 72,600 tonnes in 2016. That represents an increase of 1% despite the major scheduled maintenance shutdown at the Harz-Metall GmbH plant in the first half of 2017.

Norzinco GmbH recycled 22,600 tonnes of waste (vs. 22,300 in 2016) and produced 23,800 tonnes of zinc oxide in 2017, stable compared with 2016.

IFRS operating income before non-recurring items was €16.4 million, sharply higher than the 2016 figure of €6.9 million.

The Zinc segment's financial performance improved relative to 2016 and also improved in each half of 2017. That was due to the fact that its earnings are correlated with the zinc price, which rose sharply in 2017 (peaking in the second half), and due to firm production levels, which fully offset the impact of Harz-Metall GmbH's major scheduled maintenance shutdown in the first half of 2017 (no shutdowns in 2016).

Special Metals segment

In millions of euros	2017	2016	Change
Consolidated sales	**14.2**	**15.0**	**-0.8**
Operating income before non-recurring items	**(1.9)**	**(3.3)**	**+1.4**

Special Metals sales contributed 3% of the Group's consolidated total in 2017. PPM Pure Metals GmbH generated sales of €14.2 million, down 5% compared with 2016.

This fall was mainly attributable to the decline in germanium and gallium sales, due to lower volumes and prices. However, sales of high-purity arsenic recovered strongly compared with 2016, with higher volumes and prices.

The segment's operating loss before non-recurring items came to €1.9 million, compared with a loss of €3.3 million in 2016.

While the context remained tough, this slight improvement resulted from firm arsenic sales volumes, commercial efforts to increase germanium sales, initiatives to diversify the metals portfolio and efforts to limit costs.

In this context, €0.5 million was added to assets impairment provisions.

Segment Plastique

In millions of euros	2017	2016	Change
Consolidated sales	**13.6**	**15.5**	**-1.9**
Operating income before non-recurring items	**0.1**	**0.3**	**-0.2**

Plastics sales accounted for 3% of consolidated sales in 2017. They fell 12% year-on-year to €13.6 million.

Recycled polypropylene production amounted to 13,260 tonnes, down 10% compared with 2016.

Business levels remained severely restricted by the reduced competitiveness of recycled materials compared with virgin polypropylene and by weak demand from the auto industry, particularly in Germany.

The segment achieved operating income before non-recurring items of €0.1 million in 2017 as opposed to €0.3 million in 2016.

1.2. OTHER KEY DEVELOPMENTS AND MAJOR EVENTS

1.2.1. Recylex S.A. rescheduled liabilities

On December 15, 2015, the Paris Commercial Court confirmed that Recylex S.A.'s continuation plan had been completed. Recylex S.A. has 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 on the deferral to 2019 - i.e. beyond the term of the plan - of the repayment of the balance of their liabilities under this plan.

At December 31, 2017, Recylex S.A.'s financial liabilities relating to the deferred payments (after elimination of intra-group debts and before discounting) was €5.1 million. In the frame of the staggered installment plan to pay the fine decided by the European Commission, the repayment by Recylex S.A. of these liabilities has been deferred to 2026.

1.2.2. Main legal proceedings involving Recylex S.A.

A document summarizing the developments in proceedings concerning Recylex S.A. and Metaleurop Nord S.A.S. can be found on the Group's website *(www.recylex.fr – News – Legal proceedings schedule).*

1.2.2.1. Former employees of Metaleurop Nord S.A.S.

a) 2010: Claims for damages for dismissal without fair cause and/or for 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 against 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 regard 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 of €7,759,800 in principal. On December 1, 2017, all the principal amounts and interest due pursuant to these decisions were paid out Recylex S.A., which lodged an appeal against these decisions before the Cour de Cassation. The Cour de Cassation examined this appeal at its hearing of April 10, 2018 and its decisions will be issued on May 24, 2018.

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 current administrative proceedings regarding the inclusion of the Metaleurop Nord 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 now definitive ruling on March 2, 2017 that the order including the site on the abovementioned list had to be repealed, and a ministerial decree was issued to this end on December 19, 2017 *(see section 1.2.2.3 below).*

b) 2013-2017: 455 claims for damages in respect 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 €4.3 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, totaling €1,213,500. Recylex S.A. has appealed against these decisions, thereby suspending their enforcement, with the next hearing of the Douai Appeal Court scheduled for May 15, 2018. Conversely, claims from seven former non-protected employees were rejected, but two of them appealed.

Concerning anxiety damages claims 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 €3,000 and €24,000 as damages, along with €500 under article 700 of the Civil Procedure Code, totaling €186,500. Recylex S.A. intends to appeal against these decisions, thereby suspending their enforcement.

330 anxiety damages claims totaling around €20 million are pending before the Lens Labor Court and are due to be examined on March 26, 2019. The next hearing before the Lens Labor Court concerning the damages claims of 15 former protected employees disputing their dismissal, in a total amount of €1.7 million, is also scheduled for March 26, 2019.

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

The claims for damages for losses arising from cancellation of the dismissal authorization (*see paragraph 1.3.2.1. b))* are related to the administrative proceedings commenced by these former protected employees to cancel authorization of their dismissal. Since Recylex S.A. has 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.

On December 31, 2015, the Douai Administrative Appeal Court accepted Recylex's application to be joined to the proceedings, but rejected the appeal by Metaleurop Nord S.A.S.' liquidators and the French labor ministry against the decision by the Lille Administrative Court that canceled the dismissal authorizations relating to 16 protected former employees. In February 2016, Recylex S.A. lodged an appeal with the Conseil d'Etat. On February 7, 2018, the Conseil d'Etat decided 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 concerning two former protected employees of Metaleurop Nord S.A.S. As a result, the latters' dismissal authorizations made in 2003 remain valid.

1.2.2.3. 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 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 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 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, in order to re-examine it and to 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 cancel, within two months of notification of the present 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 has been lodged by two former employees of Metaleurop Nord S.A.S..

1.2.2.4. Liquidators of Metaleurop Nord S.A.S.

a) Proceedings for damages against the liquidators

On March 19, 2013, Recylex S.A. commenced proceedings for damages before the Béthune Regional Court against the liquidators of Metaleurop Nord S.A.S. for the prejudice that the 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 awarded to the latter. The hearing for pleadings before the Béthune Regional Court is scheduled for June 5, 2018.

b) Proceedings 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 employees by the AGS salary guarantee fund regime.

On April 11, 2018, the Arras Commercial Court ruled in favor of Recylex S.A. The claim from the liquidators of Metaleurop Nord S.A.S. was considered inadmissible as being time-barred since March 21, 2013 on the one hand, and for not having been declared within the scope of the judicial recovery procedure of Recylex S.A. whilst their alleged receivable was born before its opening, on the second hand.

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

1.2.3. European Commission inquiry into the lead recycling sector

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.

In 2016, Recylex S.A. and its subsidiaries involved in this procedure received requests for additional information from the European Commission, to which they responded within the specified timeframes.

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 have decided to appeal against this decision.

After discussions involving all the relevant parties, the European Commission agreed in May 2017 to the payment plan proposed by Recylex S.A. for the fine, which notably includes the payment of the fine by Recylex S.A. (the Group's parent company) and the deferral, on a medium-long term basis, of the payment of a substantial part of the fine. Pursuant to this agreement, Recylex S.A. makes the principal and interest payments due in respect of this fine in line with the schedule outlined in the staggered payment plan.

1.2.4. Group's projected cash position

1.2.4.1. Recylex S.A.'s cash position

Cash position of the parent company, Recylex S.A.

At December 31, 2017, the Recylex S.A. parent company had available cash of €0.4 million, compared with €0.3 million at December 31, 2016. The Company has prepared cash forecasts for 2018 based on the information currently available to it, including payments related to its commitments to rehabilitate its former mining sites and its L'Estaque site.

During the second quarter 2017, an agreement was concluded with the European Commission for the payment of a €26.7 million fine, and was included in the cash flow projections of Recylex S.A. The terms and conditions of this plan are confidential but are compatible with the cash flow forecast established by Recylex S.A., enabling the Group to fulfill its currently identified and provisioned commitments in France and in Germany through to the end of the plan (excluding unidentified and non-provisioned risks as described in Note 32 to the 2017 consolidated financial statements).

In 2014, Recylex S.A. signed a loan agreement for a maximum amount of €16.0 million with Glencore International AG. All the information about this loan agreement is described in detail in Note 13 to the consolidated financial statements for the year ended December 31, 2017. At December 31, 2017, Recylex S.A. had drawn all of that loan facility. Under the agreement to pay the fine decided by the European Commission, the repayment of this loan facility has been deferred to 2024.

The search for financing and specialized partnerships dedicated specifically to remediation works at the L'Estaque site commenced in 2013 was unsuccessful, and so Recylex S.A. resumed the remediation works at the L'Estaque site in the second half of 2017, at a cost of €1.2 million. At December 31, 2017, €9.9 million of provisions had been set aside to cover all work still to be done, and the work will be financed by Recylex S.A.

Drawings in 2017 on the equity line arranged with Kepler Cheuvreux in December 2016 generated net cash flow of €6.9 million through the issue of 1,240,000 new shares in 2017.

The impact of the Group's German operations on the cash situation and the risks factors affecting the parent company and consolidating entity Recylex S.A. are described in note 32 to the 2017 consolidated financial statements.

1.2.4.2. Group's cash position

Group cash position and external financing

Cash flow from recurring operating activities generated by the Group's industrial activities remained positive at €0.9 million as opposed to €10.8 million in 2016. Despite significantly improved profitability in the Lead and Zinc segments, along with higher dividends from equity affiliates, the decline was mainly caused by the €23.0 million increase in the Group's working capital requirement because of higher business levels in 2017 and particularly:

- the significant increase in the value of materials inventories (+€11 million) because of higher lead and zinc prices but also higher volumes;
- the €6.0 million increase in trade receivables and the fall in trade payables, which pushed up the WCR by €5.5 million;
- cash flow from financing activities amounted to €39.8 million, covering all investing activities (€36.6 million in 2017, sharply higher than the 2016 figure of €6.7 million) and some of the cash outflow resulting from non-recurring operating activities, which mainly consisted of:
  - the payment of compensation to former employees of Metaleurop Nord, amounting to €8.2 million (including interest) in accordance with the judgments of the Douai Appeal Court on 31 January 2017, and the payment of €1.4 million to the European Commission under the staggered payment plan relating to the fine handed down on 8 February 2017;
  - environmental expenses of €2.0 million.

For all those reasons, the Group's net cash position, after deduction of drawn credit lines, was negative at -€9.5 million at December 31, 2017 versus -€7.0 million at December 31, 2016.

Even so, the Group's gross cash remained almost stable at €5.5 million at December 31, 2017, compared with €6.2 million at December 31, 2016, including the use of all available credit lines totaling €15.0 million. At December 31, 2016, the Group had €13.2 million of drawings on credit lines.

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, 2017 in accordance with the International Financial Reporting Standards (IFRS) as adopted for use in the European Union.

FY 2017 operating income before non-recurring items came to €14.5 million, a strong increase compared to the breakeven performance recorded in FY 2016. Buoyed by a supportive environment thanks to the surge in metals prices despite an unfavorable base of comparison linked to the major maintenance shutdowns in the Lead and Zinc segments in FY 2017 (no shutdowns in FY 2016), this increase in the Group's financial performance chiefly reflected:

- the improvement in the Lead segment's operating income before non-recurring items to €7.3 million after returning to €3.7 million in positive territory in FY 2016;
- the steep improvement in the Zinc segment's operating income before non-recurring items to €16.4 million from €6.9 million in FY 2016;
- although the Plastics segment's operating income before non-recurring items remained almost stable (at breakeven point in FY 2017, a very small contraction vs. FY 2016), the Special Metals segment's loss fell to €1.9 million, compared with a loss of €3.3 million in FY 2016.

FY 2017 net income came to €18.0 million. The key contributors to FY 2017 net income were:

- operating income before non-recurring items of €14.5 million;
- a positive contribution of €1.6 million from other operating

income and expenses, which primarily reflects the €1.3 million proceeds from the sale of the property at the FMM S.A. site in Belgium;

- the €10.6 million share in income from equity affiliates;
- €9.9 million in net financial expense compared with net expense of €0.9 million in 2016, comprising:
  - €6.2 million in interest expense, up €2.0 million compared with 2016 owing to the increase in debt;
  - a €3.7 million charge under Other financial income and expenses, including a €2.3 million related to the unwinding in 2017 of the derivative financial instruments recognized at December 31, 2016 (see note 33 to the 2017 consolidated accounts) and €1.3 million in factoring costs;
- a €1.2 million tax benefit reflecting the capitalization of deferred tax assets at the businesses in Germany.

Net income moved back into positive territory in 2017 after recording a loss of €10.1 million in 2016. This strong improvement of €28.1 million compared with FY 2016 was attributable to:

- the improvement in the operational profitability of the Group (€14.6 million) and of companies accounted for under the equity method (€4.0 million);
- the impact in FY 2016 of the provision for the European Commission's fine (€26.7 million);
- the €9.0 million increase in financial expense;
- the €3.8 million reduction in deferred tax assets recognized;
- the €3.3 million decline in reversals of provisions for impairment;
- the €0.4 million difference between the amount of the indemnities paid to former Metaleurop Nord employees and the reversal of the related provisions.

The main changes on the balance sheet between FY 2016 and FY 2017 were as follows:

Net tangible fixed assets : €32.4 million

In 2017, the Recylex Group committed €38.2 million in investments, with the bulk of this figure (€27.7 million) devoted to construction of the new lead reduction furnace in Germany. This investment breaks down by segment as follows:

- Lead: €32.9 million
- Zinc: €4.7 million
- Special Metals: €0.2 million
- Plastics: €0.4 million.

Inventories: €11.0 million increase

The higher value of inventories derived from the increase in the volumes of materials held in inventory and the rise in non-ferrous metals prices.

Trade receivables: €6.1 million increase

The increase in trade receivables and related accounts stemmed predominantly from the upturn in volumes together with the rise in non-ferrous metals prices.

Cash and cash equivalents (before deduction of short-term borrowings shown under current interest-bearing borrowings): €2.4 million decline

The evolution of the Group's cash position is presented in the section 1.2.4.2.

Equity: €26.8 million increase

Consolidated equity at December 31, 2017 stood at negative €4.2 million, a major improvement of €26.8 million from negative €31.0 million at December 31, 2016. This steep improvement was chiefly attributable to:

- the recognition of €18.0 million in net income in FY 2017;
- the €6.9 million in capital raised under the equity line;
- the recognition of €1.1 million in actuarial gains net of deferred taxes concerning provisions for pensions and post-retirement obligations.

Current and non-current interest-bearing borrowings: €40.0 million increase

The increase in interest-bearing borrowings was chiefly attributable to:

- the €32.2 million drawdown on the bank borrowings arranged in Germany in December 2016, predominantly to finance construction work on the Lead segment's new reduction furnace;
- the €7.5 million drawdown of the remaining balance of the loan facility arranged in 2014.

In addition, available credit lines totaled €15.0 million at December 31, 2017, compared with €13.2 million at December 31, 2016, and were used in full.

Provisions

The change in provisions during the financial year 2017 is detailed in the Note 14 to the 2017 consolidated financial statements.

Provisions for pension and post-retirement obligations (current and non-current): €2.4 million decline

The decrease in provisions for pensions and post-retirement obligations was caused by the rise in the discount rate applied to the Group's pension liabilities. The discount rate went up from 1.55% at December 31, 2016 to 1.65% at December 31, 2017.

Analysis of debt

The Group's net debt[1] totaled €93.1 million at December 31, 2017, compared with €27.1 million at December 31, 2016. This steep increase derived chiefly from:

- the €32.2 million drawdown on the bank borrowings arranged in Germany in December 2016, predominantly to finance the policy of investing in production facilities and chiefly construction work on the Lead segment's new reduction furnace;
- conversions of existing provisions into debt, including €25.9 million linked to the European Commission's fine;
- the €7.5 million drawdown of the remaining balance of the loan facility arranged in 2014.

Consolidated debt with a maturity of over five years at December 31, 2017 stood at €46.6 million.

1.4. MATERIAL POST-BALANCE SHEET EVENTS

The material post-balance sheet events are described in sections 1.2 and 1.4 of this Report, and in note 39 to the 2017 consolidated financial statements.

The financial statements for the year ended December 31, 2017 were approved by the Board of Directors' meeting held on April 13, 2018, and the General Meeting called to approve these financial statements will be held on June 5, 2018.

Following the drawdowns by Kepler Cheuvreux on the equity line arranged to cover Recylex S.A.'s cash requirements arising from its continuing activities in France, 80,000 new shares (exercise price of between €12.20 and €14.10) were issued between January 1, 2018 and March 31, 2018, giving rise to a total net cash flow of €1,012,340 for Recylex S.A..

Accordingly, the interest of a shareholder who held 1% of Recylex S.A.'s share capital at December 31, 2016 (based on 24,110,982 shares) would have declined to 0.9481%.

No other events that may have a material impact on the Group's activities or its business and financial position occurred between the end of FY 2017 and the date of this Report.

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

1.5. EXPECTED DEVELOPMENTS AND OUTLOOK

Trends in metals prices and €/$ exchange rate

After an uptrend in 2017, mainly in the second half of the year, metals prices began 2018 at the same levels as in December 2017 despite higher volatility that triggered a slight correction since the middle of the first quarter of 2018. While the outlook for metals prices remains positive given their good fundamentals, consolidation during the year remains a possibility.

In addition, the euro has gained further ground against the US dollar (USD) since beginning of January 2018 as it did throughout 2017. Trends in the euro/US dollar exchange rate (USD) will be a key influence on the Group's economic environment because the current high level of the euro relative to the US dollar and its future trends may drag down metals prices in euros and could impact the Group's performance were the trend to continue or even to gain strength.

Lead segment

According to industry analysts, the global lead industry experienced a very small supply shortfall in 2017 since consumption was slightly higher than production. They forecast another small shortfall in 2018 followed by a small surplus by 2020. Global lead demand is expected to continue growing at a modest pace over the period (average increase rate of 2%). In parallel, the reopening – either in progress or currently planned – of mines is likely to have a medium-term impact on production levels. As a result, a relative shortfall of lead concentrates is also forecasted in the global lead market in 2018, leading to unfavorable commercial conditions for smelters as opposed to miners.

The trend in lead prices and in commercial conditions in 2018 compared with 2017 will be a key factor influencing the segment's performance over the year.

Construction work continues on Weser-Metall GmbH's new reduction furnace, which is due to be commissioned at the end of the first half of 2018, in line with the initial schedule.

The smelter's production has slowed down during the first quarter of 2018. Its major four-week scheduled maintenance shutdown has been done. During this shutdown, the new reduction furnace was connected to the current furnace.

In the Lead segment, strategic priorities are to pursue the protection of its margins within the current context of good availability of materials for recycling and to ramp up Weser-Metall GmbH's new reduction furnace following its commissioning.

Zinc segment

The global zinc market recorded a significant supply shortfall in 2017 as a result of strong global demand, the impact of mine closures and capacity reductions by major players in 2016. Accordingly, zinc prices rose sharply in 2017.

Given the new mine openings and reopenings currently underway, as well as new mining projects triggered by the high level of zinc prices at present, industry analysts forecast a renewed supply surplus from 2019 onwards, since these new volumes of zinc concentrates are likely to come onto the market only gradually. Although zinc prices could experience greater volatility during 2018, the outlook is still positive for 2018, despite a smaller forecast supply shortfall than in 2017.

The trend in zinc prices in 2018 compared with 2017 will be a key factor influencing the segment's performance over the year.

In zinc oxide production, Norzinco GmbH will continue its initiatives in 2018 to develop and to diversify its sources of supply in order to meet the increased demand from customers and improve its margins.

In Waelz oxide production, the next major maintenance shutdown of the Harz-Metall GmbH facility is scheduled for the third quarter of 2018. The previous major maintenance shutdown took place in the first half of 2017. Aside from this shutdown, the Group aims to continue operating at full capacity in 2018.

Special Metals segment

Trends in the Special Metals segment during 2018 will depend on the strength of demand in the semiconductors sector and on the direction of the euro/yen exchange rate.

Concerning the arsenic business, the outlook seems to be improving in 2018. PPM Pure Metals GmbH's priorities for 2018 are to restore its margins as well as to improve its industrial and commercial efficiencies, especially in the germanium business.

Plastics segment

Given tough market conditions, the Plastics segment's priorities are to develop sales and to diversify its business portfolio.

C2P France's priority will be to develop new made-to-measure high value-added products to capitalize on its unique and longstanding expertise in polypropylene compound, with the objective to restore its margins. C2P-Germany GmbH aims to focus on margins and develop sales volumes.

1.6. RESEARCH AND DEVELOPMENT

Various research and development projects were undertaken by the Group's German subsidiaries in 2017.

At Weser-Metall GmbH's lead smelter in Nordenham, several projects to enhance production efficiency and recover by-products that began in the previous years continued. Some of these projects increased the technical performance of the smelter concerning its service life. The current focus is set towards the start of the new reduction furnace.

In 2011, Harz-Metall GmbH in Germany began its first studies concerning production processes aiming to process materials contained in old waste heaps at the Goslar site. These projects were continued in 2017. Within this scope, Harz-Metall GmbH has started the basic design for an industrial plant to process one of the old heaps.

PPM Pure Metals GmbH, which specializes in producing special metals, continued several projects in 2017 to expand its supply sources and develop its recycling processes, targeting new operational and commercial synergies with the Group's other activities. Furthermore, several activities to broaden PPM's product portfolio towards the semi conductor industry have been started.

1.7. DESCRIPTION OF THE MAIN RISKS AND UNCERTAINTIES TO WHICH THE GROUP IS EXPOSED

The Group has carried out a review of the risks that could have a material adverse effect on its business activities, its financial position or its results and believes that, on the basis of the information presently available to it, there are no significant risks other than those set out below and in note 32 to the consolidated financial statements for the year ended December 31, 2017.

1.7.1. Operational risks

The Group's production sites are exposed to the risk of production stoppages owing to incidents such as power cuts or shortages of essential materials. Each Group subsidiary has taken measures to protect against all such risks, such as preventive maintenance, the creation of inventories of essential items and other operating procedures.

Changes in the laws and regulations, especially relating to export controls and to the transport of hazardous waste, may create a risk to the Group's sourcing of supplies. Besides, changes in market and commercial conditions in the lead, zinc, steel and plastic industries may also impact the Group's companies.

To date, the Group's main customers are located in Europe. However, in the event of weaker European demand, the Group has the capacity to serve a non-European customer base by developing export activities.

1.7.2. Legal risks

The Group's operating structures consist primarily of French simplified joint stock companies *("sociétés par actions simplifiés" or S.A.S.)* and German limited liability companies (GmbH). Management of Recylex S.A. and its subsidiaries as legal entities, as well as the legal risks to which they may be exposed, is the responsibility of their respective management teams, assisted by in-house lawyers and external advisors. 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 "Liquidity risk" to the consolidated financial statements for the year ended December 31, 2017.

1.7.3. Environmental risks

As regards the sustainable development of its business, the Group pays particular attention to the impact of its activities on the environment and the health and safety of its employees and local residents, and to its strict compliance with the laws and regulations that define operating standards and good working practices.

All Group sites at which recycling activities may potentially have an impact on the environment require authorization from the local environmental authorities, and compliance with these authorizations 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 Seveso II classified. During FY 2014, an order supplementing the Prefect's initial order added Recytech S.A., in which Recylex S.A. owns a 50% interest, to the list of Seveso II classified installations owing to the eco-toxicity of the waste processed at its plant.

Since June 1, 2016, Recylex S.A.'s facilities in Villefranche-sur-Saone and Escaudœuvres in France have been classified in the high-risk category under the Seveso Directive, following a change in the regulations for scrap lead-acid batteries. This new classification is the result of a change in the regulations following the transposition of the Seveso III European directive by the French government in December 2015. Even so, it has not led to any changes in Recylex S.A.'s activities in France. The associated hazard studies which will establish the risks and protective measures that need to be considered are under validation process by the authorities.

The classified facility likely to make the most significant contribution to the Group's environmental performance is the Weser-Metall GmbH facility in Nordenham, Germany. Specialized consulting firms are appointed to assess risks within the Seveso regulatory framework. An emergency plan has been prepared in conjunction with the local authorities. However, no risk of explosion that may cause damage affecting those living near the Group's sites has been identified.

The Group is also responsible for the remediation of a number of old industrial and mining sites inherited from the two companies that founded the Group in 1988 (German company Preussag AG, now TUI AG, and French company Peñarroya), most of which were never operated by the Group.

Management of operational risks relating to the environment, health and safety is the responsibility of the managers of the Group's subsidiaries and facilities. In each entity, a Quality, Health and Safety and Environment officer reports to these managers.

1.7.4. Insurance

As part of the Group's risk management procedures, Recylex S.A. and its subsidiaries have arranged insurance cover against accidental risks through insurance brokers.

Damage, operating loss and liability insurance has been arranged by Recylex S.A. for its French subsidiaries, and by Recylex GmbH for the Group's German subsidiaries to cover industrial risks.

In addition, insurance has been arranged for the environmental liabilities of the Group's subsidiaries up to €10 million, as well as for their environmental liabilities in relation to 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.

While Recylex S.A. considers that the insurance arranged at Group level is sufficient to provide satisfactory cover for risks incurred in connection with its activities, it could prove insufficient to protect against certain losses resulting from exceptional damage or exceptional economic and financial circumstances, which would have an adverse impact on its financial situation.

1.8. SUSTAINABLE DEVELOPMENT

1.8.1. The Group's sustainable development policy

Recycling is the Group's principal business activity, since it primarily transforms waste into secondary raw materials, as metals can be recycled any number of times.

Because the Recylex Group is involved in recycling and waste recovery, anticipating and preventing risks relating to the health of its employees, the safety of its industrial facilities and environmental protection lie at the heart of the strategy and business culture cultivated by the Group.

The Group's sustainable development policy is to:

- protect the environment by complying with applicable regulations,
- protect the health of employees,
- maintain sustainable performance.

The Group's commitments under its Sustainable Performance Charter, adopted in 2008, are as follows:

- controlling and reducing the impact of activities on the natural environment;
- involving local and national stakeholders;
- improving working conditions for employees;
- identifying, defining and implementing effective risk management;
- assessing and improving processes to prevent occupational illnesses and work-related accidents;
- designing, maintaining and operating installations in a reliable and effective manner that respects the environment;
- identifying and optimizing reductions in energy consumption.

1.8.2. Sustainable Development Reporting

For the purposes of Decree no. 2012-557 of April 24, 2012 requiring transparency by businesses in employee-related, environmental and social affairs, Recylex S.A. continued to pursue its employee-related, social and environmental data reporting process for the Group's legal entities ("Sustainable Development Reporting") in 2017.

A user guide prepared by the Group sets out and describes the process, definitions and methods to be used in Sustainable Development Reporting, and a methodological note is provided for each indicator including definitions and calculation methods. This is used as an in-house guide for the Group's various sites and is disseminated, understood and applied at all stages of the data preparation and reporting process. This user guide is updated on a regular basis and is also used as a reference framework for external audits on the Group's Sustainable Development Reporting. It will be provided to readers of the Group's Annual Report on request[2].

1.8.2.1. Reporting indicators and scope

Each indicator that forms part of the Group's Sustainable Development Reporting has been selected by the relevant Group departments, working together with the managers of Group subsidiaries and establishments, on the basis of its relevance to the Group's activities and business areas. Commenced in 2011, Sustainable Development Reporting continued during 2017.

The scope of Sustainable Development Reporting covers data relating to the parent company and all its subsidiaries within the meaning of Article L. 233-1 of the Commercial Code or the companies it controls within the meaning of Article L. 233-3 of the Commercial Code, excluding companies in which Recylex S.A. owns less than 50% of the share capital given Recylex S.A.'s limited operational control over these entities[3]. In addition, companies with no staff are excluded from the scope of employee-related reporting, and companies with no operational activity are excluded from the scope of environmental

[2] Requests may be sent either by email via Recylex S.A. website (http://www.recylex.fr/en,contact,contact-us.html) or by letter to Recylex S.A.'s administrative office at 79 rue Jean-Jacques Rousseau, 92150 Suresnes (France).

[3] A list of all Recylex S.A.'s subsidiaries within the meaning of Article L. 233-1 of the Commercial Code or the companies it controls within the meaning of Article L. 233-3 of the Commercial Code is provided in note 37 to the consolidated financial statements for the year ended December 31, 2017.

reporting. Former mining concessions and closed sites are included only in the descriptive part of environmental reporting. The full consolidation method is used. If a company falls within the scope as defined, 100% of its employee-related and environmental data is included, regardless of the percentage of the company that the Group actually owns.

Any restrictions in terms of businesses or geographical zones to be included in the scope with respect to certain indicators are set out in the user guide.

Changes in scope—such as those arising from acquisitions, disposals, start-ups and shutdowns of businesses—are taken into account from the date they take effect.

The scope of the Group's environmental data changed between FY 2016 and FY 2017 as a result of the shutdown of Belgian subsidiary FMM S.A.'s activities in the fourth quarter of 2016 and the sale of its site during the first quarter of 2017. As a result, the employee-related and environmental information at December 31, 2017 concerning the FMM S.A. subsidiary is not included in this report.

Methods defined in-house may carry limitations for certain indicators as a result of:

- differences between the laws of the various countries in which the Group has sites, particularly as regards employment and welfare law;
- difficulties in answering questions relating to certain indicators for legal or political reasons;
- estimates (e.g. relating to activities that generate emissions and/or waste).

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:

- confirm the presence of the information listed in Article R. 225-105-1 of the Commercial Code;
- provide moderate assurance that the information referred to above is presented fairly in all material respects in accordance with the reference framework adopted. This report is included in the appendix of 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 is applicable to all Group entities and subsidiaries and conforms to the principle of continuous improvement in the ISO 14001:2004 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 are set out on a plant-by-plant basis in the table below:

Operating plants at December 31, 2017	Business segment	Certifications (first obtained)
France		
Recylex S.A. plant, Villefranche-sur-Saône	Lead	ISO 14001:2004 (since 2007)
Recylex S.A. plant, Escaudœuvres	Lead	ISO 14001:2004 (since 2008)
C2P S.A.S. plant , Villefranche-sur-Saône	Plastics	ISO 14001:2004 (since 2006) ISO 9001:2008 (since 2007) OHSAS 18001:2007 (since 2009)
Recytech S.A. plant (50%-owned by Recylex S.A.), Fouquières-lès-Lens	Zinc	ISO 14001:2004 (since 2006)
Belgium		
FMM plant, Brussels	Lead	ISO 14001:2004 (since 2004) Operations shutdown in late 2016
Germany		
Harz-Metall GmbH plant, Goslar	Zinc/Lead	ISO 14001:2004 (since 2001) ISO 9001:2008 (since 1995) ISO 50001 (since 2012)
Weser-Metall GmbH plant, Nordenham	Lead	ISO 14001:2004 (since 2002) ISO 9001:2008 (since 1995) ISO 50001 (since 2013)
Norzinco GmbH plant, Goslar	Zinc	ISO 14001:2004 (since 2004) ISO 9001:2008 (since 2004) ISO 50001 (since 2011) OHSAS 18001:2007 (since 2012)
C2P GmbH plant, Goslar	Plastics	ISO 9001:2008 (since 2002)
PPM Pure Metals GmbH plants, Langelsheim and Osterwieck	Special Metals	ISO 9001:2008 (since 1993) ISO 50001 (since 2012)

All the Group's operating plants, the activities of which are presented in section1.1. 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 2018 deadline for registration with the European Chemicals Agency (ECHA) covers substances manufactured, imported or marketed in the European market in volumes of between 1 and 100 tonnes per year and less hazardous substances. PPM Pure Metals GmbH is heavily involved in this process as lead registrant for the registration of arsenic metal by the Arsenic Consortium, germanium dioxide by the REACH Germanium Consortium, indium sulfide by the REACH Indium Consortium and antimony trichloride by the International Antimony Association.

In 2017, nearly all the metals and metallic compounds manufactured by the Group were reviewed by the various European and national authorities.

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 Group's principal plant in Germany, which lies next to a large river, is planning ahead for the consequences of climate change by taking various measures to protect against the risk of floods (dikes and sand bags) and storms (improvements to building insulation, increase in capacity of the stormwater 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[4] 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[5].

The principal source of greenhouse gas emissions, accounting for close to 83%, are direct emissions from the Group's metallurgical activities, including from the combustion of coke and natural gas in high-temperature thermal processes. The goal of cutting greenhouse gas emissions forms part of a multi-year strategy to reduce consumption per tonne produced, through production process optimization. Furthermore, emissions linked to incoming materials and intra-Group shipments by the two main Lead and Zinc segments (accounting for 98% of the Group's direct and indirect emissions) represented just 11% of overall emissions. The Recylex Group prioritizes river transport and combined road-rail transport solutions when designing the architecture for its intragroup logistics, as well as for its coke and raw material supply chain.

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

Substantial provisions have been set aside to cover remediation projects at former mining and industrial sites that remain the responsibility of the Group (see note 38 to the consolidated financial statements).

France

When it was founded in 1988, the Group assumed responsibility for around 30 mining concessions in France, just two of which were still being operated at the time. Under the 2005 continuation plan, Recylex S.A. defined a program to ensure the safety of its mining concessions, which was validated and periodically updated in conjunction with the French industry and ecology ministry and local authorities.

The procedure for abandoning work at mining concessions is laid down in the Mining Code legislation. It consists firstly of ensuring the safety of mining installations and former waste sites, prior to the administrative process of returning them to government ownership through publication of a ministerial order of cancellation.

At December 31, 2017, Recylex S.A. held nine mining concessions and one operating permit, after obtaining ministerial orders of cancellation for 18 concessions since 2005. Work has been completed at seven concessions, and a mining waiver certificate for Recylex S.A. is pending from the administrative authorities. Pursuant to Article L. 144-4 of the Mining Code, the concessions to the unexploited mines will expire on December 31, 2018.

Recylex S.A. also remains responsible for remediation of the dormant L'Estaque industrial plant near Marseille *(see paragraph 1.9.3.5. ii) below)*.

Germany

In Germany, the Harz-Metall GmbH, PPM Pure Metals GmbH and Weser-Metall GmbH subsidiaries remain responsible for former waste heaps and landfill sites located within or near to operational sites. Many of these former industrial sites and waste heaps have not been in operation for a number of years, but the Group retains either sole or joint responsibility with other industrial groups for them, and they are undergoing remediation. In this respect, two of the Group's German subsidiaries signed an agreement with TUI AG in 2009

[4] *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.*

[5] *Report on the Environmental Benefits of Recycling, Bureau of International Recycling, October 2008, page 4.*

regarding the remediation of certain sites in Germany belonging to these subsidiaries.

1.8.3.4. Environmental indicators

The Group's operational plants may impact on their environment, primarily through their atmospheric emissions and waste water, particularly with respect to heavy metals such as lead and zinc.

The relevant values measured or calculated for the Group's operating plants have been collected and reported in accordance with the formal Sustainable Development Reporting process described above, and are shown in the tables below. In general, "quantified" data is obtained by self-monitoring. This self-monitoring is verified at least once a year by an authorized body and is subject to spot checks by the appropriate local authorities.

Consumption of non-renewable materials

The table below shows the Group's performance regarding the consumption of non-renewable raw materials[6] in the last two years:

	2017	2016
Group consumption of non-renewable materials (in tonnes)	132,188 tonnes	151,118 tonnes

The Group's consumption of non-renewable materials declined by over 12% in 2017 by comparison with 2016. That was achieved as a result of more supportive market trends, and the improved availability of recycled materials relative to lead concentrates.

Consumption of recycled materials

The table below shows the Group's performance regarding the consumption of recycled materials[7] in the last two years:

	2017	2016
Group consumption of recycled materials (in tonnes)	380,874 tonnes	352,512 tonnes
Percentage of recycled materials relative to total materials consumed by the Group	74.24%	69.99%

Since most of the Group's business activities are related to recycling, the proportion of recycled materials consumed by the Group is high, accounting for over 74% of the total materials consumed by the Group in 2017—a sharp increase on the previous year.

In 2017, purchases of recycled materials were stable in the Zinc segment, while in the Lead segment, purchases of those materials increased by nearly 18% on their 2016 level.

Waste

This indicator relates to hazardous and non-hazardous waste that is recycled or disposed of (within the meaning of the Directive 2008/98/EC of November 18, 2008 on waste). Waste is broken down by type and calculated individually for each type of treatment (processing or disposal). This excludes waste generated and treated during the manufacturing process, such as low-quality products that are recycled internally.

In accordance with the national legislation transposing Directive 2008/98/EC of November 18, 2008 on waste, lead-bearing materials from lead-acid battery processing subsidiaries and facilities are regarded as waste until specific criteria are defined specifying the point at which these materials lose their waste status. However, materials regarded as waste are recovered by the Group's units and then converted into secondary raw materials that can be used to replace mining resources without the need for additional treatment. This process accounts for the high level of recycling reported below.

The main focus in management of the waste generated by the Group's activities is achieving a reduction in the volumes of waste for disposal, promoting as far as possible internal recycling of materials that are not rich enough in metals to be sold and of non-compliant products. Waste that cannot be recycled within the Group is processed by approved disposal methods.

The volume of waste generated by the Group's activities over the past two years, and the ways in which this waste is managed, are set out below :

	2017	2016
Production of hazardous waste by the Group	118,781 tonnes	96,872 tonnes
Percentage of hazardous waste processed	95.8%	95.5%

The higher volumes of hazardous waste produced in 2017 relative to 2016 derived from the larger purchases in the Lead segment in France and Germany. Around 96% of hazardous waste recovered is processed in Nordenham's smelter in Germany, where it is converted into commercial lead.

	2017	2016
Production of non-hazardous waste by the group*	137,492 tonnes	127,726 tonnes
Percentage of non-hazardous waste procesed	61.1%	59.6%

** The bulk of waste generated corresponds to slag from the production of Waelz oxides at the Harz-Metall GmbH and Recytech S.A. sites.*

The growth in the volumes of non-hazardous waste produced in 2017 relative to 2016 largely derived from firmer business levels at Recytech's Waelz oxide production plant.

Direct and indirect energy consumption

The table below shows trends in energy consumption by site (in MWh) over the past two years :

Direct energy consumption Group[8]	2017	2016
Natural gas	247,472 MWh	241,886 MWh
Diesel/gasoline	6,181 MWh	5,601 MWh
Self-generated electricity	960 MWh	1,227 MWh
Total	**254,613 MWh**	**248,715 MWh**

Indirect energy consumption Group[9]	2017	2016
Electricity	89,890 MWh	94,169 MWh
Diesel/gasoline	128 MWh	206 MWh
Group's total energy consumption	**344,631 MWh**	**343,090 MWh**

The Group's energy consumption remained relatively stable in 2017 relative to 2016.

As regards measures taken to reduce energy consumption, the Group is continuing with its efforts to reduce consumption of natural gas for thermal processes and electricity used by electric motors in its sites' production facilities.

In 2017, all the ISO 50001 certified companies in Germany were audited successfully. Recytech S.A. installed a unit recovering heat from the air compressors that provides heating for the buildings. The Weser-Metall GmbH subsidiary is working on heat recovery systems and invested in a more efficient oxygen supply installation. Furthermore, since 2014, the Norzinco GmbH subsidiary has set up a

[6] 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.

[7] 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.

[8] 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.

[9] 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.

heat exchanger with a neighboring wood producer, which now pays Norzinco GmbH to dry the wood using the heat generated by its production facilities. To cut its electricity consumption, the Group's facilities are investing in more efficient frequency variation electric motors when equipment is replaced. To promote the use of recycled polypropylene of which an undeniable environmental advantage is its lower energy consumption, the C2P subsidiary in France issues carbon saving certificates with each of its deliveries.

The Group is also helping to further the development of renewable energies within the scope of the circular economy development by recycling "stationary" lead-acid batteries, which are widely used for the temporary storage of energy in the solar and wind generation sectors.

Water consumption

Owing to the nature of its activities and the location of its plants, the Group does not face any significant issues related to water supply according to local constraints.

The table below shows trends in the Group's water consumption[10] over the past two years:

Total Group water consumption	2017	2016
Total	**1,820,076 m³**	**1,720,952 m³**

The Group's water consumption remained stable in 2017 relative to 2016.

Direct and indirect greenhouse gas emissions

The table below shows trends in carbon dioxide emissions by the Group in tonnes (tCO_2) over the last two years:

Direct and indirect greenhouse gas emissions (tCO_2)[11]	2017	2016
Direct emissions from sites	191,505 tCO_2	188,024 tCO_2
Indirect emissions (e.g. for electricity generation)	36,217 tCO_2	37,532 tCO_2
Total	**227,722 tCO_2**	**225,556 tCO_2**

CO_2 emissions remained stable in 2017 by comparison with 2016.

Directive 2003/87/EC of October 13, 2003, as amended by Directive 2009/29/EC of April 23, 2009 aims to introduce a greenhouse gas emission allowance trading scheme to reduce these in a cost-efficient manner. This Directive follows on from approval of the Kyoto Protocol in 2002 by the European Union and its Member States, which obliges these to cut their greenhouse gas emissions below their 1990 level in a bid to reduce the impact of these emissions on the climate.

Since the Directive was amended in 2009, three Group plants, namely those operated by Recytech S.A., Weser-Metall GmbH and Harz-Metall GmbH, have reported their CO_2 emissions for 2005, 2006 and 2007. Since January 1, 2013, these three businesses have been covered by the EU greenhouse gas emissions allowance trading scheme. The CO^2 emissions allowances for the three relevant Group businesses were set based on their reported CO^2 emissions. The quantity of allowances issued decreases on a straight-line basis every year by a factor of 1.74% from January 1, 2013.

Atmospheric emissions of metals

This indicator relates to emissions of atmospheric pollutants from point sources listed on the environmental permits held by each company of the Group and that may potentially have a damaging effect on the environment and human health in the workforce and communities located close to industrial activities.

The table below shows trends in the Group's airborne emissions of lead, zinc and cadmium over the last two years:

Airborne emissions from chimneys (measured discharges)[12]	2017	2016
Lead	396.1 kg p.a.	525.3 kg p.a.
Zinc	3,797.6 kg p.a.	4,886.9 kg/year
Cadmium	7.6 kg p.a.	12.7 kg p.a.

The fall in lead emissions in 2017 compared with 2016 was attributable to the Weser-Metall GmbH and Harz-Metall GmbH facilities in Germany. The main factor behind the reduction in zinc emissions was the decline in discharges at the Harz-Metall GmbH plant in Germany.

Metal effluent discharges by type and destination

European Directive 2000/60/EC of October 23, 2000 establishing a framework for Community policy in the field of water policy defines targets for improvements in European water quality, and has gradually been incorporated into operating licenses for waste treatment plants operated by Group companies, which have to adapt to these new requirements.

The table below shows discharges into water[13] of lead, cadmium and zinc by Group companies in the last two years:

Water-borne discharges by Group sites (measured discharges)	2017	2016
Lead	9.5 kg p.a.	9.9 kg p.a.
Zinc	179.3 kg p.a.	124.0 kg p.a.
Cadmium	15.3 kg p.a.	7.3 kg p.a.

Lead discharges into effluents were again relatively stable in 2017 by comparison with 2016. Zinc and Cadmium discharges into effluents increased in 2017 compared to the previous year due to a lower performance of the former effluents treatment plants of Harz-Metall GmbH which were completely replaced by a new treatment plant during 2017.

1.8.3.5. Environmental expenditure and provisions for Group sites

Expenditure relating to Group sites

Environmental expenditure shown in the tables below reflects both investment in the Group's operational sites, and the remediation costs for former industrial, mining and waste heap sites.

[10] 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).

[11] The direct and indirect greenhouse gas emissions taken into account in this indicator are stated in carbon dioxide-equivalent terms (CO2) 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.

[12] 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/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]. When there are several point-in-time measurements, the operating time is weighted for each point-in-time measurement.

[13] 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].

(i) Environmental investment in Group operational sites

		2017	2016
Environmental investment in operational sites	France	€450,000	€225,000
	Belgium	€0,000	€0,000
	Germany	€48,000	€1,750,000
	Total	**€498,000**	**€1,975,000**

In 2017, 6.3% of the Group's investments were dedicated to improving conditions for protecting the environment and/or the safety of industrial operations.

(ii) Expenditure relating to former industrial sites and waste heaps

		2017	2016
Expenditure relating to former industrial sites	France	€306,000	€303,000
	Germany	0	0
	Total	**€306,000**	**€303,000**
Expenditure relating to waste heaps	France	0	0
	Germany	€527,000	€238,000
	Total	**€527,000**	**€238,000**
Total expenditure		**€833,000**	**€541,000**

Expenditure recognized in FY 2017 totaled around €833,000 and related to the remediation of former industrial sites in France and Germany.

L'ESTAQUE (FRANCE)

Following the discontinuation of operations at the L'Estaque facility in February 2001, an order supplementing the initial Prefect's remediation order of December 23, 2002 defining the program to remediate the site was issued by the Prefect of the Bouches-du-Rhône department on February 6, 2012, setting out remediation requirements and the deadline for completion of the works on December 31, 2015. A request to defer the completion date for the work was submitted to the relevant authorities in September 2015. The Company received in February 2016 the order supplementing the initial Prefect's remediation order postponing the works completion deadline until December 31, 2018.

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 storage 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. Spending during 2017 came to €1,399,000.

The aggregate amount of provisions (before discounting) covering the entire remediation program at the L'Estaque site came to €9,868,000 at December 31, 2017 (see note 14 to the consolidated financial statements for the year ended December 31, 2017). An additional amount of €472,000 was set aside in the year ended December 31, 2017 to reflect the recurring costs over the extended period of time the works are now expected to take. These amounts are the best available estimates, based on technical reports by independent experts.

Since the search for financing or specialized partnerships dedicated specifically to rehabilitation work at the L'Estaque site launched in 2013 came to nothing, Recylex S.A. resumed rehabilitation work at the L'Estaque site during the second half of 2017.

GERMANY

Expenditure mainly related to Harz-Metall GmbH's site in Goslar (Germany), including the remediation and monitoring of old waste heaps.

(iii) Expenditure relating to mining sites in France

	2017	2016
Expenditure relating to mining sites in France	€696,000	€609,000

During FY 2017, management of the water treatment facilities accounted for the bulk of expenses.

ENVIRONMENTAL PROVISIONS RELATING TO GROUP SITES

(*The environmental provisions broken down in the table below are included in note 38 to the consolidated financial statements and note 2 to the parent company financial statements for the year ended December 31, 3017)*

Provisions *(in thousands of euros)*	2017	2016
France		
Active sites	0	0
Closed sites	€9,868,000	€10,796,000
Mines	€4,830,000	€5,003,000
Germany		
Active sites	€1,152,000	€1,152,000
Closed sites	€8,397,000	€6,663,000
Belgium		
Active site	0	€431,000
Total provisions	**€24,247,000**	**€24,045,000**

1.8.4. Group employee-related information

As part of the process of devising a formal system of Sustainable Development Reporting, the process for producing employee-related data for Group entities with employees and the scope of this data are defined and specified in section 1.9.2.1 of this Report.

The scope of the Group's employee-related data changed between FY 2016 and FY 2017 as a result of the shutdown of activities in the fourth quarter of 2016 and the sale of the site belonging to Belgian subsidiary FMM S.A. during the first quarter of 2017. As a result, the employee-related information at December 31, 2017 concerning the FMM S.A. subsidiary is not included in this report.

1.8.4.1. Group Operational Employees

The table below shows the breakdown of Operational Employees by number and the average number of full-time equivalent (FTE) Operational Employees by country and at Group level:

	Operational Employees[14] at Dec. 31		Average number of full-time equivalent Operational Employees[15]	
	2017	2016	2017	2016
Germany	567	550	554.2	553.2
France	114	111	109.4	111.6
Belgium	0	0	0	0
Group	**681**	**661**	**663.6**	**664.8**

At December 31, 2017, the Group's Operational Employees edged 3% higher compared with 2016, with the workforce split across Germany (83.2%) and France (16.7%).

The proportion of Operational Employees working part-time as a proportion of full-time Operational Employees (based on working hours specified by statute or the applicable collective agreement) also remained stable at December 31, 2017 (5.72%) compared with at December 31, 2016 (4.99%).

[14] *The Group's Operational Employees consists of employees on permanent or temporary contracts with one of the Group's companies and included in staff registers on the last day of December, regardless of their working hours, and includes employees on maternity or adoption leave, employees seconded by another Group entity and employees on long-term leave (more than six months) who have been replaced. It excludes subcontractors, temporary workers, interns, apprentices and people on work-based training contracts, employees seconded to a company outside the Group and employees on long-term leave (more than six months) who have not been replaced.*

[15] *The average number of full-time equivalent (FTE) Operational Employees reflects the Operational Headcount at the end of each month of the period, adjusted to take account of part-time employees using the individual attendance rate, as well as employees present for only part of the period, divided by 12.*

	Full-time Operational Employees at December 31		Part-time Operational Employees at December 31	
	2017	2016	2017	2016
Germany	535	522	32	28
France	107	106	7	5
Belgium	0	0	0	0
Group	**642**	**628**	**39**	**33**

How working hours are organized depends mainly on the business sector of the Group's companies and facilities, as well as the country in which they are based, with adjustments made for production plants requiring ongoing operation and shift work.

The table below shows the breakdown of the Group's Operational Employees by age and country at December 31, 2017:

Operational Employees by age	under 30		30-44		45-49		50-55		over 55	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Germany	91	81	160	159	85	84	112	107	119	119
France	5	5	36	41	26	30	30	24	14	11
Belgium	0	0	0	0	0	0	0	0	0	0
Group	**96**	**86**	**196**	**200**	**111**	**114**	**142**	**131**	**133**	**129**

To supplement its operational headcount and depending on peaks in activity at the various Group companies, the Group makes use of subcontractors, mainly in the areas of handling, maintenance of industrial sites and administrative offices, care taking and maintenance of its industrial facilities. During 2017, the number of subcontractors (excluding transportation staff and temporary employees) working for the Group averaged around 5.57% of the Group's full-time equivalent Operational Employees.

1.8.4.2. Turnover of Operational Employees

The Group's employee turnover rate, corresponding to the total Operational Employees leaving one of the Group's companies divided by the Operational Employees at December 31, declined in 2017, (6.6%) compared with 2016 (8.3%).
The total number of Group-wide departures in 2017 was 45, below the 55 departures recorded in 2016.
The Group hired 64 employees in 2017, an increase on the 41 employees hired in 2016. The net number of jobs created Group-wide (number of hires minus the number of departures) was thus positive in 2017 (19 net new jobs created).

	Number of employees hired		Number of departures * (of which redundancies)		Departure rate at December 31	
	2017	2016	2017	2016	2017	2016
Germany	54	37	37 (4)	45 (1)	6,5	8,1
France	10	4	8 (3)	7 (3)	7,0	7,0
Belgium	0	0	0	3 (2)	N/A	N/A
Group	**64**	**41**	**45**	**55**	**6.6**	**8.3**

** Owing to resignation, dismissal, retirement, fatal work accident (excluding commuting accidents) or any other reason.*

1.8.4.3. Human resources management

All Group companies are respectful of human rights and fundamental freedoms, and support anti-discrimination and equal treatment measures, particularly in terms of employment and work.

In FY 2015, Recylex S.A. decided to formally adopt the Recylex Group's Ethics Code, which is intended to cover all employees at all the Group's units. To this end, it was also adopted by the relevant bodies of the Group's subsidiaries, while complying with the legal requirements specific to each jurisdiction. The Code was formally adopted in FY 2016 by all the Group's entities.

Given that all the Group's companies are established in Western Europe, the Group's efforts in support of human rights were confined to those stated in this section.

Gender equality in the workplace

This principle is one of the fundamental principles of the Group's Code of Ethics.
Given the nature of the Group's recycling and non-ferrous metal production activities, the number of women employed by the Group is low relative to the number of men.

In accordance with the principle of equal pay for equal work and equal seniority within the same company, men and women are classified according to the same pay scale as a function of the responsibilities of the post they occupy. Since most Group companies employ a limited number of staff, a function is usually the responsibility of a single person. As a result, it is difficult to compare male and female pay by age category or role.

Depending on the country in which they are based, various measures have been taken by Group companies to support equal opportunities for men and women.

Pursuant to the French regulations, certain Group companies in France have adopted an action plan to promote gender equality in the workplace identifying specific areas for improvement, backed up by objectives, measures and indicators of success.

The number of women working for the Group increased by 3.8% in 2017 compared with 2016, and the breakdown of men and women over the past two years was as follows:

Breakdown of Operational Employees by gender at December 31	2017		2016	
	Hommes	Femmes	Hommes	Femmes
Germany	505	62	491	59
France	94	20	91	20
Belgium	0	0	0	0
Group	**599**	**82**	**582**	**79**

Disabled workers

The Group seeks to encourage the integration of employees with disabilities at its various sites.
The measures taken by Group companies during 2017 to promote the employment and integration of disabled workers mainly consisted of affording them access to certain jobs, entrusting them with temporary assignments, buying supplies and/or services from specialist institutions that employ disabled workers and adapting technical equipment used within certain Group companies so that workers with disabilities can use it.

At December 31, 2017, 36 disabled employees worked at the Group.

Anti-discrimination policy

Group employees come from a diverse range of backgrounds, and Group companies are committed to avoiding all discrimination when recruiting staff and throughout an employees' career with the Group companies. This principle is one of the fundamental principles of the Group's Code of Ethics.
In addition, the General Equal Treatment Act, which transposes European anti-discrimination directives into German law and came into force in Germany in 2006, is incorporated in the Integrated Management System of the Group's German subsidiaries.

Employee relations

Employee relations are conducted at the level of each Group company and take the form of regular meetings and discussions, both formal and informal, between the employee representatives and management teams of each Group company to ensure that there is constructive dialog maintaining and improving relationships with employees.

The number of meetings held in 2017 varied from one Group company to another:

- between 13 and 50 for the Group's German subsidiaries, with the Weser-Metall GmbH subsidiary holding one meeting per week;
- between 7 and 12 for the Group's French companies (including 50%-owned Recytech S.A.).

Employee negotiations

Negotiations with employee representative bodies at Group companies during 2017 mainly concerned pay rises, gender equality in the workplace, employee profit-sharing and management of working hours.

In France, a new employee incentive agreement covering 2016-2018 based on economic, productivity, health and safety indicators was agreed at Recylex S.A. during 2016. It aims to incentivize employees to meet Recylex S.A.'s business performance targets while encouraging them to abide by and implement each unit's health, safety and environmental policy. The 2017 mandatory annual negotiations covered compensation, working hours and how value-added is shared out, as well as negotiations concerning the collective health insurance and personal protection agreement.

Against the backdrop of the search for financing for the major investment plan for the roll-out of a new furnace in Nordenham finalized in December 2016, these negotiations at the Group's subsidiaries in Germany led to a basic salary increase of 2.8% from July 2016 and then between 2.0% and 4.8% from April-May 2017 at the metalworking industry companies and an award of 2.3% from October 2017 at the chemicals industry companies. For the Weser-Metall companies GmbH and PPM Pure Metals GmbH, these negotiations carried out in 2015 led to a reduction of the holiday bonuses and Christmas bonuses for 2016 and 2017.

Fundamental conventions of the International Labor Organization

Group companies are committed to complying with the fundamental conventions of the International Labor Organization relating to 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 labor, and the effective abolition of child labor.

1.8.4.4. Total gross annual remuneration

The Group's employees are remunerated on the basis of their experience, their level of responsibility, the area of activity concerned and local employment regulations.

In FY 2017, total gross annual remuneration[16] paid by the Group amounted to around €36,767,000, representing an increase of 3.5% on the FY 2016 figure of €35,625,000.

In France, incentive agreements are renegotiated on a regular basis by Group companies, and employees have the option of signing up to a company savings plan. Companies contribute to this plan in the form of top-up payments.

1.8.4.5. Absenteeism rate

The absenteeism rate equals the number of days of absence[17] (i.e. days of lost time) stated as a percentage of the total number of working days initially intended under the applicable regulations for Operational Employees during the period.

The Group-wide absenteeism rate posted a significant decrease of 18.2% in 2017 compared with 2016. The main factor behind this fall was lower absenteeism in Germany.

Absenteeism rate (%)	2017	2016
Germany	5.6	7.4
France	7.0	6.0
Belgium	0	0
Group	**5.8**	**7.1**

1.8.4.6. Training

Group companies assess the training requirements of their employees by talking directly to the employees concerned or to their line managers, mainly during annual appraisals, professional reviews and discussions relating to the latter part of employees' careers. There is a statutory obligation for employees of the Group's German subsidiaries holding positions of responsibility to be given regular training in their areas of expertise, such as the environment, energy, health and safety, and first-aid.

The following table shows the number of hours of training provided by the Group to its employees, broken down by main topics:

	Total hours of training* at Group level	Number of hours of training by theme				
		Quality, Health, Safety and Environment	Technical training	Languages	First aid	Other**
2017	**8,864**	3,147	2,427	337	902	1,853
2016	**7,256**	2,698	1,856	443	909	1,352

** Training includes all types of internal and external training excluding support provided on-site by managers, any type of training lasting for less than 3 hours. ** Training in this category includes management, IT and transport training, along with training of staff representatives for the Group's German subsidiaries.*

In FY 2017, QHSE issues accounted for 36.3% of employee training on a Group-wide basis.

1.8.4.7. Health and safety in the workplace

Managing health and safety is one of the priorities of the Group's Sustainable Performance Charter. Accordingly, one of the principal commitments is to improve working conditions for employees and to assess and improve procedures in order to prevent occupational diseases and work-related accidents in the performance of their duties.

Each of the Group's companies has drawn up its own Quality, Health, Safety and Environment (QHSE) policy, with a view to:

- encouraging employee participation and raising awareness to develop best QHSE practices,
- improving the workplace atmosphere,
- reducing environmental and occupational risk through staff training.

To ensure that health and safety policies are correctly applied at their sites, the measures and actions implemented by Group companies to monitor observance of these policies differ depending on the site and industrial activity concerned, even if they do not result in the signature of an agreement with unions or staff representatives. They include:

- implementation of a management system with a documentation system that can be accessed online by employees at the sites concerned;
- external audits as part of management system certification work by accredited organizations;
- regular occupational health and safety meetings;
- rRegular prevention measures and measures to raise employee awareness to protect employees' health;
- creation of an IT suggestions book by one of the Group's companies, including management responses and monitoring of action taken, to encourage employees to suggest improvements;
- systematic use of the "cause-and-effect tree diagram" method after any work incident or accident;
- personalized medical monitoring by an in-house occupational health officer, plus monitoring of lead exposure for all exposed employees and sub-contractors at certain sites.

In addition, any accident that occurs is reported to Recylex S.A.'s Chief Executive Officer, and a detailed analysis of the circumstances is carried out to define remedial action and mitigate the risks to which the Group's employees are exposed.

[16] 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.

[17] 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.

The health and safety indicators in the Group's Sustainable Development Reporting are set out below:

Blood lead level

The blood lead level is a health indicator based on information provided by occupational health staff regarding Operational Employees exposed to lead emissions. This indicator applies to all Operational Employees exposed at Group companies.

The average blood lead level of exposed Group's Operational Employees declined in 2017 compared with 2016 as follows:

	2017	2016
Average blood lead level of exposed Group employees*	135 µg/l	143 µg/l

** Average blood lead level of exposed Group's Operational Employees based on information provided by occupational health staff at the company concerned.*

From a regulatory perspective, discussions are continuing concerning a reduction in the permitted occupational blood lead level from 400 µg/L to 200 µg/L under the European legislation. In parallel, all member companies of the International Lead Association (ILA) have given a voluntary commitment since 2014 to abide by a blood lead concentration limit in employees of less than 300 µg/L.

Lost-time work accident frequency rate

The Group's lost-time work accident frequency rate is calculated by dividing the total number of lost-time work accidents (excluding commuting accidents) that occurred within the Group by the total number of hours worked within the Group, multiplied by 1,000,000.

The Group's lost-time work accident frequency rate decreased from 34.44 in 2016 to 32.21 in 2017, representing a fall of 6.5% on 2016:

Frequency rate	2017	2016
Germany	34.8	37.6
France	19.02	19.2
Belgium	0	0
GROUP	**32.21**	**34.44**

Lost-time work accident severity rate

The lost-time work accident severity rate corresponds to the total number of calendar days lost relative to the total number of hours worked[18] within the Group multiplied by 1,000 following lost-time work accidents (excluding commuting accidents).

The Group's lost-time work accident severity rate was higher in 2017 than in 2016:

Severity rate	2017	2016
Germany	0.8	0.6
France	0.48	0.24
Belgium	0	0
Group	**0.72**	**0.52**

1.8.5. Social information

1.8.5.1. Impact of Group activities

Impact in terms of road traffic, odor and noise

Depending on whether they are in a rural area or not, the Group's plants take steps to limit the impact of their activities on the neighboring and local population, relating mainly to road traffic and noise.

The noise impact of activities carried out by Group subsidiaries and establishments on their surrounding area is measured.

Soil contamination

Soil contamination by the Group's operating sites results from dust falling outside plants and from the storage and handling of material within plants. Over and above meeting the requirements of applicable legislation, Group companies monitor soil quality, either through atmospheric measurements or through the periodic sampling and analysis of soil quality.

Group companies and facilities limit the speed at which vehicles are allowed to move around its sites, which helps to reduce the volumes of dust fall both at the sites concerned and in the surrounding area.

1.8.5.2. Dialog with associations, neighboring populations, partnerships and sponsorship

Under its Sustainable Performance Charter, the Recylex Group expressly aims to engage with local and national stakeholders. Accordingly, Group companies place great importance on forging and developing close relationships with their principal stakeholders to reap the full benefit of their integration within the circular economy, their business lines, and their industrial and environmental performance and also to establish open and transparent dialog over the long term.

Group companies join the professional associations most representative of their business activities in order to improve their expertise and develop relations with parties involved in their business sector, establish and develop best practices and also to promote the role of the circular economy in Europe. Group companies also maintain close relationships with the local and the supervisory authorities. They also take part in various national and international trade events. The majority of Group companies also carry out local initiatives to raise their profile, including by supporting charitable, sporting or cultural associations, by means of donations, corporate sponsorship or purchases of advertising space, and by helping them prepare conferences and seminars.

Recylex S.A.'s French sites have aligned their QHSE Policy and Objectives with the Group's Sustainable Performance Charter. As part of this approach, they take care to meet the needs and expectations of the interested parties, but they also build long-term relationships with them and with various local associations.

For example, these sites take proactive measures to establish and maintain a sustainable relationship with external stakeholders, which may include a policy on opening up sites and educational initiatives about jobs in the circular economy and QHSE aspects linked to recycling and industrial production. Moreover, they ensure that they listen carefully and always answer any questions received from outside the Group.

As part of their policy of openness and dialog, Recylex S.A. and C2P S.A.S. took part in the 2017 Industry Week, a nationwide event in France organized by the DGE, the Business Department of the French ministry for the economy and finance. Recytech S.A.'s facility also arranges site visits for its stakeholders, including neighbors, high-school students and professionals.

Building on the success of these operations, Recylex S.A.'s and C2P S.A.S.' sites undertook to continue pursuing this policy of openness by taking part in the next edition of Industry Week in 2018. Recylex S.A.'s Escaudœuvres site again opened up its site to the public in conjunction with the Grand Hainaut UIMM (metalworking trade and industry association).

To cultivate their local roots, Recylex S.A., C2P S.A.S. and Recytech S.A. also support local sporting or cultural associations, providing donations, corporate patronage and advertising space.

In the Plastics business, C2P France buys and recycles plastic caps collected by charities, particularly charities that support disabled people. C2P France also provided assistance and advice on a voluntary basis to a charity for the disabled concerning the logistics involved in loading the plastic caps collected. Recylex S.A.'s headquarters in Suresnes collects caps from bottles used by its employees for the benefit of the same charity.

Most of the Group's companies in Germany have ongoing relationships with universities in Germany as part of which they share information

[18] 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 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).

about technical, environmental and workplace safety issues in particular. Their local commitment is also backed by financial support for various charities.

1.8.5.3. 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.

Best practice is also implemented by Group companies, mainly with a view to preventing any corruption risk. This includes displaying rules of conduct, ensuring internal procedures aimed at eliminating the risks of corruption are applied properly, separating commercial negotiations from control activities (e.g. deliveries and accounting) and applying the "four eyes" principle. During 2017, the Group appointed an external firm to map the corruption and fraud risks to which the Group companies could be exposed. Based on this risk mapping, specific actions will be introduced to tighten up the prevention of these risks. In addition, the Legal department specifically raised awareness of this issue in 2017.

Group companies do not undertake any activities directly with consumers. However, the recycling of waste, and car batteries in particular, represents the Group's core business, and this activity indirectly helps to preserve the health and safety of consumers, as does the provision, free of charge, of watertight stainless steel containers for the safe transportation of this hazardous waste.

2. RECYLEX S.A.

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 and has industrial activities comprising the collection, processing and recycling of scrap batteries, along with holding-company activities as Group head. It also manages a number of environmental liabilities it has inherited from the industrial legacy of the Peñarroya S.A. mining group.

Recylex S.A.'s sales totaled €91.1 million in 2017, compared with €59.1 million in 2016. In the Lead segment, Recylex S.A.'s scrap battery processing plants in Escaudœuvres (Nord department) and Villefranche-sur-Saone (Rhône department) processed a volume of 90,000 tonnes of batteries in FY 2017, versus around 72,000 tonnes in FY 2016.

In 2017, a total of approximately €958,000 was invested in Recylex S.A.'s two production sites.

The activities of Group companies in FY 2017 are presented in section 1 of this Report.

2.2. KEY DEVELOPMENTS AND MAJOR EVENTS

The other key developments and major events at Recylex S.A. are set out in section 1.2 of this Report.

2.3. RESULTS AND FINANCIAL POSITION OF RECYLEX S.A.

The parent company financial statements for the year ended December 31, 2017, have been prepared in accordance with French GAAP and are comparable with the previous year.

In the year to December 31, 2017, Recylex S.A. generated net income of €6,493,991.45 compared with a loss of €14,910,435.35 in 2016.

Recylex S.A.'s income statement for FY 2017 showed:

- an improved operating performance, with income of €1.6 million in 2017 versus a loss of €1.2 million in 2016. The scrap battery recycling business generated operating income of €5 million in FY 2017, while the holding company and the remediation of the former mining sites gave rise to an operating loss of €3.4 million;
- net financial income of €5.4 million, up from €4.3 million in 2016 owing chiefly to an increase in dividends received;
- a net exceptional loss of €0.6 million in FY 2017, compared with a loss of €18.3 million in FY 2016. In 2016, this loss reflected a €26.7 million addition to provisions to cover the fine handed down by the European Commission on February 8, 2017, a €2.2 million reversal of a provision for labor court litigation for dismissal without fair cause, a €2.6 million reversal of a provision for the clawback clause and a €4.0 million reversal of a provision for asset impairment losses.

At the General Meeting to approve the annual financial statements for the year ended December 31, 2017, a proposal will be made, given the FY 2017 net income of €6,493,991.45 and negative retained earnings brought forward of €493,311.63, to transfer €68,494.94 to the statutory reserve and to allocate the entire amount of profit available for distribution of €5,932,184.88 to the retained earnings account, bringing its balance following this appropriation, to €5,932,184.88 in credit.

No dividend has been paid for the past three years.

2.3.1. Analysis of debt

On December 15, 2015, the Paris Commercial Court confirmed that Recylex S.A.'s 10-year continuation plan adopted in November 2005 had been completed. The Company repaid a total of €58 million under the plan. Certain creditors under the plan, including Glencore International AG, agreed to the deferral to 2019—i.e. beyond the term of the plan scheduled to be year-end 2015—of the repayment of the balance of liabilities under this plan. At December 31, 2017, Recylex S.A.'s financial liabilities relating to the deferred payments (after elimination of intra-group debts and before discounting) totaled €5.1 million. Under the staggered installment plan to pay the fine imposed by the European Commission, the repayment by Recylex S.A. of these liabilities has been deferred to 2026.

As a reminder, Recylex S.A. arranged in 2014 a loan agreement for up to €16.0 million with Glencore International AG. All the information about this loan agreement is presented in detail in note 13 to the consolidated financial statements for the year ended December 31, 2017. At December 31, 2017, Recylex S.A. 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 has been rescheduled in 2024.

At December 31, 2017, financial and operating liabilities stood at €58.4 million (compared with €25.7 million in 2016) *(see note 2.7 to the parent company's financial statements for the year to December 31, 2017*).

2.3.2. Supplier and customers payment terms

The analysis at end-2017 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 2017	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 à 30 days	31 à 60 days	61 à 90 days	91 days and more	Total (1 day and more)	0 day	1 à 30 days	31 à 60 days	61 à 90 days	91 days and more	Total (1 day and more)
(A) Range of delayed payment												
Number of concerned invoices	258					35	34					6
Total amount of concerned invoices (TTC)	2,478,715 €	55,115 €	225 €	0 €	0 €	55,340 €	7,227,407 €	28,209 €	0 €	0 €	4,850 €	33,059 €
Total purchase amount (TTC) percentage of the exercise	2.64%	0.06%	0.00%	0.00%	0.00%	0.06%						
Sales revenue percentage of the exercise (TTC)							7.89%	0.03%	0.00%	0.00%	0.01%	0.04%
(B) Excluded Invoices from (A) concerning litigious debts and receivables or unrecorded												
Number of excluded invoices	-	-	-	-	-	-	-	-	-	-	-	-
Amount of excluded invoices (TTC)	0 €	0 €	0 €	0 €	0 €	0 €	0 €	0 €	0 €	0 €	0 €	0 €
(C) Reference deadline payment used (contractual or legal deadline - article L. 441-6 or article L. 443-1 of Commercial code)												
Payment deadline used for the calculation of delayed payments	CONTRACTUAL DEADLINES: variable according to the supplier. The Invoices of raw materials and freights are usually paid immediatly. The other suppliers grant payment conditions between 7 and 60 days.						CONTRACTUAL DEADLINES: between 7 and 45 days.					

FULL YEAR 2017	Article D. 441-II : Received invoices with payment delay during the exercise						Article D. 441-II : Issued invoices with payment delay during the exercise					
	0 day	1 à 30 days	31 à 60 days	61 à 90 days	91 days and more	Total (1 day and more)	0 day	1 à 30 days	31 à 60 days	61 à 90 days	91 days and more	Total (1 day and more)
(A) Range of delayed payment												
Number of concerned invoices	7,992					458	243					64
Total amount of concerned invoices (TTC)	90,632,250 €	3,150,991 €	188,742 €	0 €	0 €	3,339,733 €	90,054,557 €	1,549,642 €	5,350 €	1,200 €	0 €	1,556,192 €
Total purchase amount (TTC) percentage of the exercise	96.45%	3.35%	0.20%	0%	0%	3.55%						
Sales revenue percentage of the exercise (TTC)							98.30%	1.69%	0.01%	0.00%	0.00%	1.70%
(B) Excluded Invoices from (A) concerning litigious debts and receivables or unrecorded												
Number of excluded invoices	-	-	-	-	-	-	-	-	-	-	-	-
Amount of excluded invoices (TTC)	0 €	0 €	0 €	0 €	0 €	0 €	0 €	0 €	0 €	0 €	0 €	0 €
(C) Reference deadline payment used (contractual or legal deadline - article L. 441-6 or article L. 443-1 of Commercial code)												
Payment deadline used for the calculation of delayed payments	CONTRACTUAL DEADLINES: variable according to the supplier. The Invoices of raw materials and freights are usually paid immediatly. The other suppliers grant payment conditions between 7 and 60 days.						CONTRACTUAL DEADLINES: 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 €25,140 in FY 2017.

2.3.5. Research & Development

The Company incurred no significant research and development expense in FY 2017.

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 in particular are exposed are presented in sections 1.2 and 1.7 of this Report.

2.5. SIGNIFICANT POST-BALANCE SHEET EVENTS

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

2.6. COMPANY OUTLOOK AND PROSPECTS

The outlook and prospects of the Group are described in section 1.5 of this Report.

2.7. ACQUISITIONS OF EQUITY STAKES AND CONTROLLING STAKES

No equity stake or controlling stake as defined in Article L. 233-6 of the Commercial Code was acquired by Recylex S.A. over the course of 2017.

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 parent company financial statements for the year to December 31, 2017.

2.8.1. Distribution of share capital

2.8.1.1. Distribution of share capital and voting rights

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

	Number of shares	% of share capital	Number of shares	% of share capital
	At December 31, 2017		At December 31, 2016	
Glencore Finance Bermuda Ltd	7,703,877	30.21	7,703,877	31.95
Treasury shares	23,939	0.09	23,939	0.09
Free float	17,772,666	69.70	16,383,166	67.95
Total	**25,500,482**	**100**	**24,110,982**	**100**

	Number of (theoretical*) voting rights	% of share capital	Number of (theoretical*) voting rights	% of share capital
	At December 31, 2017		At December 31, 2016	
Glencore Finance Bermuda Ltd	8,944,877	33.33	7,703,877	31.84
Treasury shares	23,939	0.09	23,939	0.09
Free float	17,865,882	66.58	16,464,700	68.07
Total	**26,834,698****	**100**	**24,192,516**	**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. ** After December 31, 2017, the existence of a double-counting of the treasury shares has been found out. Further to the correction of this clerical mistake, the number of (theoretical) voting rights was amounting to 26,810,759 as at December 31, 2017.*

The nominal share capital of €9,435,178.34 comprised 25,500,482 fully paid-up shares each with par value of €0.37 at December 31, 2017.

At its meetings on March 31, 2017 and July 11, 2017, the Board formally recorded the completion of increases in Recylex S.A.'s share capital from €31,826,496 (at December 31, 2016) to €33,249,456.24 at July 11, 2017 (consisting of 25,188,982 shares each with par value of €1.32) given the issue of 1,078,000 new shares arising (i) from the exercise of 975,000 share warrants under the equity line presented in section 1.2.4.1 and (ii) through the 103,000 stock options exercised.

Since the Combined General Meeting of July 11, 2017 resolved (Thirteenth Resolution) in order to clear a portion of prior losses to reduce the par value of each of the shares making up Recylex S.A.'s share capital from €1.32 to €0.37 by delegating full powers to the Board of Directors to determine the aggregate amount of the capital reduction, the Board of Directors formally recorded at its July 11, 2017 meeting the aggregate amount of Recylex S.A.'s capital reduction by means of a reduction in the par value of each of the shares making up the share capital from €1.32 to €0.37 of €23,929,532.90, with said capital reduction lowering Recylex S.A.'s share capital from €33,249,456.24 to €9,319,923.34 made up of 25,188,982 shares, each with par value of €0.37.

At its meeting on March 16, 2018, the Board formally recorded the completion of an increase in Recylex S.A.'s share capital by a nominal amount of €115,255, lifting it from €9,319,923.34 to €9,435,178.34 at December 31, 2017 (made up of 25,500,482 fully paid-up shares belonging to the same class each with par value of €0.37) through the issue of 311,500 new ordinary shares between July 11, 2017 and December 31, 2017 given (i) the exercise of 265,000 share subscription warrants in connection with the aforementioned equity line, and (ii) the issue of 46,500 new shares through the stock options exercised.

Under Recylex S.A.'s Articles of Association, double voting rights are assigned to 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, 2017, 1,310,277 Recylex S.A. shares carried double voting rights. With the exception of these double voting rights, no shares carry different voting rights.

Should all the stock options in issue be exercised, there would be no material dilutive impact.

2.8.1.2. Major shareholders

Based on declarations received at December 31, 2017 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 Recylex S.A. 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

The Company was not informed of any ownership thresholds being crossed by shareholders during FY 2017.

2.9. CORPORATE GOVERNANCE DISCLOSURES

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 published in December 2009 (the "**MiddleNext Code**"), the provisions that have not been applied and the reasons why they were not applied;
- the membership 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 year ended December 31, 2017;

- 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 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 way in which shareholders can take part in general 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

The Company wishes to have best practice in corporate governance as its benchmark. The Board of Directors considered 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. Consequently, having apprised itself of the contents of the MiddleNext Code, the 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 website[19].

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	The Company's practices and justifications
Stock options and allocation of free shares (Recommendation 5) (...) Condition of exercise and definitive allocation: (...) It is recommended that the exercise of all or part of the stock options or the definitive allocation of all or part of the free shares awarded to corporate officers be subject to relevant performance conditions reflecting the medium to long-term interests of the business.	The Company complies with this Recommendation, save as regards the performance conditions to which the exercise of stock options awarded to corporate officers should be subject. The Company's Board of Directors believes that it is extremely hard and potentially counter-productive to determine the relevant performance conditions reflecting the Company's medium to long-term interests in the specific business sector in which the Company operates, due to the lack of a relevant benchmark (since practically all the companies competing with the Company are not listed companies) and the multitude of parameters to be taken into account. Monitoring and managing such parameters over time in a changing environment would be both complex and costly.
Code of conduct applicable to members of the Board (Recommendation 7) (...) - every Board member should assiduously attend and take part in meetings of the board and committees of which he is a member (...) - every Board member must attend shareholders' meetings (...)	The Company's Board of Directors believes that having regard to the regular and lively 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.
Composition of the Board – Presence of independent members on the Board (Recommendation 8) It is recommended that the Board should have at least 2 independent members. (...)	The Company's Board of Directors believes that only one of the directors satisfies the "independent" director criteria defined by Recommendation 8 of the MiddleNext Code and the Board's Internal Rules and Regulations [3]. However, the Company's Board of Directors believes that all of its members complement each other both in terms of their balanced representation of the shareholders and their skills and experience in industry and finance, which contribute to the Group's development in the interests of all the Company's shareholders.
Meetings of the Board and its Committees (Recommendation 13) It is recommended that the frequency and length of meetings should be such as to allow detailed examination of the matters under consideration. The frequency of meetings is a matter for the discretion of the business according to its size and characteristics, but a minimum of 4 meetings per year is recommended.	The Company complies with this Recommendation as regards meetings of the Board of Directors. On the other hand, the number of meetings of the Committees during the financial year 2014 was lower than the recommended minimum number. 1. The Board believes that having regard to the size of the Company, no minimum number of meetings per year should be set, but that the number of such meetings, which may vary from year to year, should be determined on the basis of what is required and the particular points to be examined by the Committees.
Directors' remuneration (Recommendation 14) It is recommended that the distribution of directors' fees, the overall amount of which is decided by the shareholders' meeting, should be determined by the Board based on the attendance of the directors and the time that they devote to their functions. (...)	The Board complies in part with Recommendation 14, in that information is published in the Management Report on the directors' fees paid. However, with regard to the distribution of directors' fees, the Board has taken the view, based on the recommendations made by the Remuneration and Nomination Committee, that it appeared to be more appropriate to distribute directors' fees on the basis of the additional workload (including time devoted to those functions) and specific responsibilities of directors discharging the functions of chairman of the Board of Directors and of the Committees, rather than on the basis of the directors' attendance.

[19] *(www.recylex.fr - Rubrique Actionnaires / Investisseurs - Gouvernement d'entreprise - Code de Gouvernement d'entreprise)*

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

2.9.2.1. Membership, organization and operation of the Board

2.9.2.1.1 . Membership of the Board

The Company'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 9 and 10 of the MiddleNext Code relating to the choice of members of the Board, and their term of office.

The Board of Directors had five directors at December 31, 2017, its members being as follows:

Name	Position	Age at Dec. 31, 2017	Date of first appointment/ most recent reappointment	Date appointment expires	Number of shares in Recylex S.A. at Dec. 31, 2017
Sebastian RUDOW*	Chairman and Chief Executive Officer	37 years old	Nov. 30, 2017	General Meeting to approve the financial statements for the year ending Dec. 31, 2019	200 shares
M. Christopher ESKDALE	Director	48 years old	May 12, 2014 – July 11, 2017	General Meeting to approve the financial statements for the year ending Dec. 31, 2019	100 shares
Mme Diana KISRO-WARNECKE	Director	44 years old	July 11, 2017	General Meeting to approve the financial statements for the year ending Dec. 31, 2019	30 shares
Laetitia SETA	Director	42 years old	May 6, 2011 – July 11, 2017	General Meeting to approve the financial statements for the year ending Dec. 31, 2019	20 shares
Jean-Pierre THOMAS	Director	60 years old	May 12, 2009 – May 22, 2016	General Meeting to approve the financial statements for the year ending Dec. 31, 2017	20 shares

** Replacing Yves Roche whose terms of office as a director, Chairman of the Board of Directors and Chief Executive Officer came to an end on November 30, 2017 and subject to the ratification by the Combined General Meeting of June 5, 2018 of the cooptation of Mr. Sebastian RUDOW as director (sixth resolution).*

The profiles of Recylex S.A.'s directors are presented below:

Sebastian RUDOW has been Recylex S.A.'s Chairman and Chief Executive Officer since November 30, 2017. He was co-opted as a director to replace Yves Roche, and his appointment will be submitted for shareholders' approval at the Combined General Meeting on June 5, 2018.

Sebastian Rudow was born in Germany in 1980 and holds a law degree from the University of Mannheim (Germany), as well as a Masters degree from the University of Heidelberg (Germany).

Before joining Recylex, he held a Partner position at Wellensiek, since November 2014, where he was focused on advising directors, shareholders and boards in special corporate situations.

During the past ten years, in addition to his consulting activities, he held directorship positions across various industries.

Diana KISRO-WARNECKE has been a director of Recylex S.A. since July 11, 2017. She was appointed to replace Mathias Pfeiffer and is also a member of Recylex S.A.'s Audit Committee and of its Remuneration and Nomination Committee.

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

Ms. Kisro-Warnecke, was born in Germany 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 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.

She is an Asset Manager and Trader 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 S.A. (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 (Electricity and Nuclear) 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 last renewed on May 22, 2015 for a period of three years. He is also Chairman of Recylex S.A.'s Remuneration and Nomination Committee.

Mr. Thomas, who was a managing partner of the 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 Parliament for the Vosges region, Deputy Treasurer of the UDF group at the National Assembly, Economic Affairs and Budget spokesman for the UDF group, Chairman of the UDF Departmental Federation in the Vosges region and National Treasurer of the Parti Républicain. During his political career, Mr. Thomas sponsored the Act of March 25, 1997 creating retirement savings plans (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 Gérardmer (Vosges) 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 has been reappointed for a term of three years and is also the Chairman of the Audit 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, and in particular Trevali Mining Corporation and Noranda Income Fund Inc. (Canada), Perubar S.A. and 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 2017 is as follows:

M. Sebastian RUDOW		Director of German Strube GmbH & Co. KG
M. Yves ROCHE*	French companies	Director of Recytech S.A. Supervisor of Recylex Commercial S.A.S. (company wound up on Oct. 6, 2017)
	Foreign companies	Director of FMM S.A. Chairman of the Board of Directors of Eco-Recyclage SPA
M. Christopher ESKDALE	Foreign companies	Director of Trevali Mining Corporation** Director of Perubar S.A.** Director of Volcan Compania Minera S.A., Noranda Income Fund, Inc.** Employee of Glencore International AG**
M. Mathias PFEIFFER		None
Mme Laetitia SETA	Foreign companies	Employee of Glencore International AG**
Mme Diana KISRO-WARNECKE		None
M. Jean-Pierre THOMAS		None

** Yves Roche terms of office as a director, Chairman of the Board of Directors and Chief Executive Officer of Recylex S.A. came to an end on November 30, 2017. ** Listed company*

Independence of directors

According to Recommendation 8 of the MiddleNext Code, "to qualify as independent, Board members [...] must not have any significant financial, contractual or family relationship liable to affect the independence of their judgment".

The Internal Rules and Regulations of the Board of Directors ("the Internal Rules and Regulations")[20] set out the following independence criteria:

- the director is not and has not in the last three years been an employee or corporate officer of Recylex S.A. or of a company in its Group;
- the director is not a significant customer, supplier or banker of Recylex S.A. or of its Group or for which Recylex S.A. or its Group represents a significant share of the activity;
- the director is not a core shareholder of Recylex S.A.;
- the director does not have close family ties with a corporate officer or core shareholder;
- the director has not been an auditor of Recylex S.A. during the last three years.

At its meeting on April 13, 2018, 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 8 of the MiddleNext Code and the Internal Rules and Regulations. In this respect, it should be emphasized that a designation as independent director does not imply 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 interest of all shareholders in the Board's discussions and decisions in Recylex S.A.'s interests.

In the event of a conflict of interest arising after a director is appointed, the Internal Rules and Regulations state that the director shall be obliged to notify the Board of any existing or potential conflict of interest situation, to abstain from voting or from taking part in the proceedings and, if necessary, to resign (point 1.2 of the 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 chosen for their 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 current membership includes different and complementary technical expertise.

Application of the principle of balanced gender representation on the Board of Directors

Since two of the members of Recylex S.A.'s Board of Directors are women, the proportion of women stands at 40%, in line with the requirements of Article L. 225-18-1 of the Commercial Code.

2.9.2.1.2. Organization and operation of the Board

Conditions for the organization and operation of the Board

The conditions 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 6 of the MiddleNext Code, which advocates the introduction of such rules.

The Company complies with Recommendation 6 of the MiddleNext Code in that the Internal Rules and Regulations contain all five of the sections covered by this Recommendation.

In addition, the dates of Board meetings are set in advance and reminders are issued from one meeting to the next. The Statutory Auditors are called to Board meetings that examine and approve the accounts. As a rule, Board meetings open with approval of the minutes of the previous meeting. Resolutions are then put to the directors in the order in which they appear on the agenda. The directors discuss each resolution 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 2017, the Board of Directors met nine times, with an average attendance rate of 84%. The average length of the meetings was 1 hour 10 minutes.

[20] Internal Rules and Regulations, which may be consulted on Recylex S.A.'s website (www.recylex.fr (English version) – Shareholders/Investors – Corporate governance – Board of Directors – Internal Rules and Regulations), may be amended by the Board of Directors at any time.

In 2017, the main matters considered by the Board were as follows:

- the Group's performance and results;
- budgets and planned investments by Group companies;
- the Company's policy with regard to professional equality and equal pay;
- parent company and consolidated financial statements for the year ended December 31, 2016;
- condensed interim financial statements to June 30, 2017
- agreements referred to in Articles L. 225-38 et seq. of the Commercial Code;
- preparation of the General Meeting;
- the follow-up of industrial projects initiated by its subsidiaries, and chiefly the project to build Weser-Metall GmbH's new reduction furnace;
- trends in the business trends of the Group's subsidiaries;
- the monitoring of developments in the main ongoing legal proceedings involving Recylex S.A., including the European Commission's decision and negotiations concerning the staggered payment plan for the fine;
- 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;
- the replacement of directors and the Chairman and Chief Executive Officer;
- the remuneration of the Chairman and Chief Executive Officer;
- distribution of directors' fees to the members of the Board of Directors.

Information provided to directors

In accordance with the Internal Rules and Regulations, the Chairman ensures that all documents, technical materials and other information relating to the agenda of each Board meeting are provided to the directors by e-mail and/or by post within a reasonable time, in compliance with Recommendation 11 of the MiddleNext Code, with which Recylex S.A. complies. In addition, at the time of the annual self-assessment in accordance with Recommendation 11, the directors make their own assessment whether the information provided to them was sufficient.

Furthermore, in compliance with Recommendation 11 of the MiddleNext Code, the directors are 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 11 of the MiddleNext Code.

2.9.3. Specialized Committees

The purpose of the specialized committees created by the Board is to prepare certain decisions to be taken by the Board by giving their opinions, recommendations or proposals to the Board in accordance with Recommendation 12 of the MiddleNext Code.

2.9.3.1. Remuneration and Nomination Committee

Membership as at December 31, 2017

Jean-Pierre Thomas	Chairman
Diana Kisro-Warnecke	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 2017

The Remuneration and Nomination Committee met twice in FY 2017, with an average attendance rate of 100%. The main matters considered at the meetings was the assessment of the objectives and variable remuneration of the Group's executives and the replacement of a director and the Chairman and Chief Executive Officer.

2.9.3.2. Audit Committee

Membership as at December 31, 2017

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)

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 and holding of its meetings.

According to the Board's Internal Rules and Regulations, the Audit Committee is responsible for monitoring (i) the process for preparing and controlling accounting and financial information, (ii) the effectiveness of internal control and risk management systems, (iii) the statutory audit of the parent company and consolidated financial statements by the Auditors, and (iv) selection of the Auditors and their independence.

Work performed in FY 2017

The Audit Committee met twice in FY 2017 with an attendance rate of 100%.

The main matters considered at the Audit Committee's meetings in 2017 were as follows:

- review of the financial statements for 2016, the interim financial statements for 2017 and Recylex S.A.'s financial reporting as a whole;
- report of the Chairman of the Board of Directors relating to FY 2016.

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 to review annual or interim financial statements, the Chief Financial Officer prepares a presentation for the information of the Committee in which he reviews the process for preparing the financial statements, the main balance sheet items, valuation methods and the main financial risks to which the Group is exposed.

Audit Committee meetings are recorded in minutes summarizing the proceedings.

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

The Internal Rules and Regulations of the Board of Directors state that "each year, the agenda of the last Board meeting shall include an item relating to an assessment of the membership, organization and operation of the Board of Directors and of the Committees, on the basis of any recommendations made by the Remuneration and Nomination Committee", in accordance with Recommendation 15 of the MiddleNext Code".

At its meeting on April 13, 2018, the Board carried out its self-assessment and the evaluation of the work of the Board Committees on the basis of answers to the questionnaires sent to the directors

and completed anonymously before 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. Any restrictions placed by the Board of Directors on the powers of Recylex S.A.'s Chief Executive Officer

Under Recylex S.A.'s Articles of Association, the Chief Executive Officer has the widest powers to act in all circumstances on Recylex S.A.'s behalf. He exercises his powers within the limits of the corporate purpose and without prejudice to those powers expressly vested by law in General 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 to replace Yves Roche, 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 sureties, endorsements or guarantees within the limits set by the Board of Directors, and the creation of any securities;
- 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 sectors;
- 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 2 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 Recylex S.A.'s competitors is available), clarity, consistency, proportionality and transparency.

2.9.5. Corporate officers' remuneration in FY 2017

2.9.5.1. Remuneration of non-executive directors

2.9.5.1.1. Directors' fees paid to 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 the General Meeting. The amount is set at €150,000 for all members of the Board of Directors.

In addition to an equal amount of directors' fees, the Board decided to allocate members of the Board of Directors an additional amount related to their specific functions on the Board or Committees, in view of the additional workload and responsibilities resulting from these specific functions.

At its meeting of November 30, 2017, the Board decided on the recommendation of the Remuneration and Nomination Committee:

(i) to distribute one hundred and fifty thousand euros (€150,000) in directors' fees for FY 2017 as follows:

- twenty thousand euros (€20,000) to each of the Board members on a pro rata basis for the period during which they held their appointment in 2017 with respect to Mathias Pfeiffer and Diana Kisro-Warnecke, i.e. ten thousand euros (€10,000) each;
- twenty thousand euros (€20,000) in additional remuneration for the duties of the Chairman of the Board of Directors and Chairman of the Audit Committee, that is a total amount of forty thousand euros (€40,000) each;
- ten thousand euros (€10,000) in additional remuneration for the duties of the Chairman of the Remuneration and Nomination Committee, that is a total amount of thirty thousand euros (€30,000) each, and

(ii) to authorize the reimbursement by Recylex S.A. of travel expenses incurred by the directors in connection with their duties upon production of supporting receipts and documents.

Fees paid to directors in FY 2017 totaled €150,000 in accordance with the allocation given above.

2.9.5.1.2. Remuneration and other benefits paid to non-executive directors

The table below shows the total remuneration, and all other benefits of any kind, paid by Recylex S.A. and Group companies to each of the non-executive directors in 2016 and 2017.

Directors' fees and other benefits of any kind received by non-executive directors		
Non-executive directors	**Payments in FY 2017**	**Payments in FY 2016**
M. Christopher ESKDALE (Director and Chairman of the Audit Committee since May 12, 2014)		
Directors' fees	40,000 €	40,000 €
M. Mathias PFEIFFER (Director until July 11, 2017)		
Directors' fees	10,000 €	20,000 €
Other*	240,000 €**	50,000 €
Mme Laetitia SETA (Director)		
Directors' fees	20,000 €	20,000 €
M. Jean-Pierre THOMAS (Director and Chairman of the Remuneration and Nomination Committee since May 12, 2014)		
Directors' fees	30,000 €	30,000 €
Mme Diana KISRO-WARNECKE (Director since July 11, 2017 replacing Mathias Pfeiffer)		
Directors' fees	10,000 €	
TOTAL	**350,000 €**	**160,000 €**
of which directors' fees	110,000 €	110,000 €
which other remuneration	240 000 €	50 000 €

** Sums paid by Recylex GmbH under a service provision agreement dated 2007 between Recylex GmbH and Mathias Pfeiffer. ** Related to services performed in 2015, 2016 and 2017.*

2.9.5.2. Remuneration and benefits paid or awarded to executive directors

The Seventh and Eighth Resolutions to be submitted to the General Meeting of the Shareholders on June 5, 2018 concern the remuneration paid or awarded in respect of FY 2017 to Yves Roche, Chairman and Chief Executive Officer until November 30, 2017 (Seventh Resolution), and Sebastian Rudow, Chairman and Chief Executive Officer since November 30, 2017 (Eighth Resolution).

Pursuant to Articles L. 225-37-2 and L. 225-100 of the Commercial Code, the proposal is for the General Meeting of June 5, 2018 to approve the fixed, variable and exceptional components of the total remuneration and benefits of any kind paid or awarded in respect of FY 2017 to Yves Roche and Sebastian Rudow as presented in the following sub-section.

To recap, the components paid or awarded in respect of FY 2017 to Yves Roche and Sebastian Rudow complied with the principles and criteria for the determination, allocation and award of remuneration to executive directors approved by the Combined General Meeting of July 11, 2017 (Ninth Resolution). These principles and criteria are presented in detail in the section 2.9.6 of this report.

As a reminder, at its meeting on March 26, 2015, the Board of Directors, acting on a proposal by the Remuneration and Nomination Committee, had set the fixed portion of gross annual remuneration to be paid to Yves Roche, in his role as Recylex S.A.'s Chief Executive Officer, at €230,000 from April 1, 2015.

The variable portion of the Chief Executive Officer's remuneration is set annually by the Board of Directors in the light of progress in achieving, over the course of the year, the qualitative objectives set in advance each year based on the recommendations of the Remuneration and Nomination Committee.

At its meeting on November 30, 2017, the Board of Directors duly noted that Yves Roche had relinquished his duties as a director, Chairman of the Board of Directors and Chief Executive Officer and decided to co-opt Sebastian Rudow as a director and to appoint him as Chairman of the Board of Directors and Chief Executive Officer. In addition, the Board of Directors, acting on a proposal by the Remuneration and Nomination Committee, decided, in accordance with the remuneration policy approved by the Combined General Meeting of July 11, 2017 (Ninth Resolution):

- to set the fixed portion of Sebastian Rudow's gross annual remuneration in his role as Recylex S.A.'s Chief Executive Officer, at a gross amount of €230,000;
- that 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:
  - business indicators based on the Group's financial performance, including its consolidated EBITDA and cash generation, accounting for a maximum of 60% of fixed remuneration; and
  - individual non-financial criteria, accounting for a maximum of 60% of fixed remuneration, reflecting implementation of the Group's strategy, including its business and talent development and succession planning for key positions within the Group;
- that payment of this variable remuneration will be contingent upon approval at the ordinary general meeting of the relevant individual's remuneration as provided for in Article L. 225-100 of the Commercial Code;
- that Sebastian Rudow will receive directors' fees, in his capacity as Chairman of the Board of Directors and as a director, in accordance with the allocation rules laid down by the Board of Directors.

At its meeting of April 13, 2018, the Board of Directors, acting on a proposal by the Remuneration and Nomination Committee and in accordance with the remuneration policy approved by the Combined General Meeting of July 11, 2017 (Ninth Resolution):

- set the criteria for the award of the Chairman and Chief Executive Officer's variable remuneration, and
- decided that Sebastian Rudow, in his capacity as Recylex S.A.'s Chief Executive Officer would benefit from the personal protection and health insurance plan covering Recylex S.A.'s employees.

Total remuneration, including bonuses and payments in kind, paid by Recylex S.A. and the companies it controls (including those registered outside France) to each executive director of Recylex S.A. in FY 2017 is shown in the table below.

TABLE 1 Summary of remuneration, stock options and shares allocated to each executive director of Recylex S.A.

Yves ROCHE	**FY 2017**	**FY 2016**
Remuneration due in respect of FY (details in table 2)	€440,585.28	€375,846.80
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	**€440,585.28**	**€375,846.80**
Sebastian RUDOW	**FY 2017**	**FY 2016**
Remuneration due in respect of FY (details in table 2)	€19,166.67*	n/a
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	**€19,166.67***	**n/a**

** Paid during FY 2018*

TABLE 2 Summary of remuneration paid to each executive director				
Sebastian RUDOW	**FY 2017**		**FY 2016**	
	Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Fixed remuneration (gross)	€19,166.67	0	n/a	n/a
Variable remuneration	n/a	n/a	n/a	n/a
Exceptional remuneration	n/a	n/a	n/a	n/a
Directors' fees	n/a	n/a	n/a	n/a
Benefits in kind (company car)	n/a	n/a	n/a	n/a
Total	**€19,166.67**	**0**	**n/a**	**n/a**

Yves ROCHE	**FY 2017**		**FY 2016**	
	Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Fixed remuneration (gross)	€230,000*	€230,000*	€230,000*	€230,004*
Variable remuneration	€150,000***	€125,000**	€100,000**	€100,000
Exceptional remuneration	n/a	n/a	n/a	n/a
Directors' fees	€40,000	€80,000****	€40,000	€36,000*
Benefits in kind (company car)	€5,585.28	€5,585.28	€5,842.80	€5,842.80
Total	**€450,585.28**	**€440,585.28**	**€375,842.80**	**€371,846.80**

** The Board of Directors decided on March 26, 2015 to set the fixed portion of Yves Roche's annual remuneration at €230,000 with effect from April 1, 2015. ** 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. *** 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 General 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. **** €40,000 of which due in respect of FY 2017.*

Award of stock options and performance shares (free shares)

The conditions for awarding stock options or performance shares under the plans introduced by Recylex S.A.'s Board comply partially with Recommendation 5 of the MiddleNext Code, in that they stipulate that awards of stock options and performance shares should not be excessively concentrated on senior executives and that executive directors should not be awarded stock options and performance shares on departure.

The Company did not introduce any plan to award stock options or performance shares in FY 2017.

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 sed for consolidated financial statements	Number of options granted during the year	Exercise price	Exercise period
Yves ROCHE	None	None	None	None	None	None
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 the year	Exercise price
Yves ROCHE	None	None	None
Sebastian RUDOW	None	None	None

TABLE 5 Performance shares (free shares) allocated to each executive director						
Performance related shares allotted, pursuant to a decision by the General Meeting, during the 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 the year	Value of shares under method used for consolidated financial statements	Vesting date	End of lock-up period	Performance conditions
Yves ROCHE	None	None	None	None	None	None
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 the year	Vesting terms	Year of grant
Yves ROCHE	None	None	None	None
Sebastian RUDOW	None	None	None	None

TABLE 7 Past awards of stock options	
Information about stock options	
Date of General Meeting	July 28, 2006
Date of Board of Directors or Executive Board meeting	Sept. 26, 2008
Total number of shares available for subscription, of which the number available to:	
Yves ROCHE	60,0001
Date from which options may be exercised	50% Sept. 26, 2012 50% Sept. 26, 2013
Expiration date	Sept. 26, 2018
Subscription price	€5.70
Exercise details (where the plan has several phases)	50% Sept. 26, 2012 50% Sept. 26, 2013
Number of stock options exercised at Dec. 31, 2014	-
Cumulative number of stock options canceled or expired	-
Outstanding stock options at year-end	60,000

** 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. 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 in 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 FY	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 : Yves ROCHE Position : Chairman and Chief Executive Officer Start of term: Apr. 21, 2005 Reappointed on: July 11, 2017 End of term: Nov. 30, 2017	X		X**		X***			X
Name: Sebastian RUDOW Position: Chairman and Chief Executive Officer Start of term: Nov. 30, 2017		X		X		X		X

** With the Board of Directors having duly noted at its meeting on November 30, 2017 that Yves Roche had relinquished his duties as a director, Chairman of the Board of Directors and Chief Executive Officer, his employment agreement, which had previously been suspended, became operative again. ** On March 21, 2012, Recylex S.A.'s Board of Directors decided to approve the introduction of a group retirement savings plan and of a compulsory defined-contribution group pension plan under the regime set out in Article 83 of the General Taxation Code ("Article 83 plan") for Yves Roche, in accordance with and subject to the restrictions specified by the legislation, under the same conditions as those that apply to Recylex S.A.'s employees. During FY 2017, Yves Roche benefited from €8,316.97 in contributions pursuant to the Article 83 plan. *** It was agreed that Yves Roche would receive compensation should he be relieved of his duties as Chief Executive Officer following a significant change in Recylex S.A.'s ownership structure with the support of the Board of Directors, provided that Mr. Roche had facilitated such change and the transition to the new core shareholder. The payment would be equivalent to double the total gross remuneration he received as a corporate officer in the year before he stepped down and would not be paid until the Board had ensured that these performance conditions had been met. The arrangements had been approved by the General Meeting of July 11, 2017 (Tenth Resolution). The Company's commitment to make this payment is no longer relevant since November 30, 2017, the date on which Yves Roche relinquished his mandates as a director, Chairman of the Board of Directors and Chief Executive Officer.*

2.9.6. Principles and criteria for the determination of the Chairman and Chief Executive Officer's remuneration in FY 2018

The Ninth Resolution submitted for approval by the General Meeting of June 5, 2018 concerns approval of the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components making up the total remuneration and benefits of any kind attributable in respect of FY 2018 to the Chairman and Chief Executive Officer.

The remuneration policy for the Chairman and Chief Executive Officer is laid down by the Board of Directors on the recommendation of the Remuneration and Nomination Committee.
His remuneration has fixed and variable components.

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:

- individual non-financial criteria, accounting for a maximum of 90% of fixed remuneration, reflecting (i) improvement and development of the Group's organization, internal processes and communication improvement, (ii) development of loss-making business units for targeted turnaround in 2019/2020, (iii) successful starting of operations of the Reduction Furnace and (iv) development of the Group's future business strategy;
- business indicators based on the Group's consolidated EBITDA performance, accounting for a maximum of 30% of fixed remuneration.

For confidentiality reasons, the exact level of attainment required for these criteria cannot be made public, although it has been laid down in precise terms.
Payment of this variable remuneration will be contingent upon approval at the ordinary general meeting of the relevant individual's remuneration as provided for in Article L. 225-100 of the Commercial Code.

Exceptional remuneration:

The Board of Directors agreed in principle that the Chairman and Chief Executive Officer may receive exceptional remuneration in certain circumstances, which have to be disclosed and explained in precise terms. Payment of such remuneration will be contingent upon approval at the ordinary general meeting of the relevant individual's remuneration as provided for in Article L. 225-100 of the Commercial Code.

Directors' fees:

In his capacity as Chairman of the Board of Directors, the Chairman and Chief Executive Officer receives directors' fees, the amount of which is to be set by the Board of Directors for 2018, in accordance with the allocation rules laid down by the Board of Directors.

Free shares:

The Chairman and Chief Executive Officer does not qualify for the benefit of the free share allotment plan, but is eligible for any future free share allotment plans on terms and conditions to be determined by the Board of Directors on the recommendation of the Remuneration and Nomination Committee.
The proposal to be submitted at the General Meeting of June 5, 2018 is to authorize the Board of Directors to allot Recylex S.A.'s shares free of charge to Recylex S.A.'s corporate officers, it being specified that any free shares allotted to the Chairman and Chief Executive Officer may not account for more than 1% of Recylex S.A.'s share capital (Fourteenth Resolution).

Stock options

The Chairman and Chief Executive Officer does not qualify for the benefit of the stock options plan, but he is eligible for any future stock option plans on terms and conditions to be determined by the Board of Directors on the recommendation of the Remuneration and Nomination Committee.

Supplementary pension plan

The Chairman and Chief Executive Officer does not benefit from Recylex S.A.'s supplementary pension plan in the form of a group retirement savings plan and of a compulsory defined-contribution group pension plan under the regime set out in Article 83 of the General Taxation Code.

Personal protection insurance

The Chairman and Chief Executive Officer is a member of the personal protection and health insurance plan covering Recylex S.A.'s employees.

Company car

The Chairman and Chief Executive Officer does not have the benefit of a company car, but could do so if the Board of Directors so decided.

Signing-on fee

No signing-on fee is provided for.

2.9.7. Transactions in Recylex shares by corporate officers

In FY 2017, no purchases of Recylex shares by a corporate officer were reported to the Autorité des Marchés Financiers.

2.9.8. Means by which shareholders can take part in general meetings

Shareholders may participate in General Meetings under the conditions provided by law and by articles 21 et seq. of Recylex S.A.'s Articles of Association5.[21].

2.9.9. Internal control and risk management procedures[22]

2.9.9.1. Internal control

2.9.9.1.1. Definition, objectives and scope of internal control

Definition and objectives

The Company's internal control and risk management systems 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, designed:

- (i) to contribute to the control of its activities, the effectiveness of its operations and the efficient use of its resources;
- (ii) to enable it to take appropriate account of material risks that could prevent it from achieving the objectives it has set for itself.

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

- compliance with the laws and regulations;
- implementation of the guidelines issued by Recylex S.A.'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 an absolute guarantee that Recylex S.A.'s objectives in terms of internal control and risk management 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 within Recylex S.A. and its various subsidiaries.

2.9.9.1.2 Components of the internal control system

Internal control staff

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 of 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 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:

[21] The Company's Articles of Association are available on request made via Recylex S.A.'s website (Contacts – Contact Us), by e-mail (info@recylex.fr) or by letter (79, rue Jean-Jacques Rousseau, 92158 Suresnes Cedex, France).

[22] The text of this section is based on the "Internal control reference framework: Implementation guidelines for small and medium companies" prepared by the Autorité des Marchés Financiers dated February 25, 2008, updated and published on July 22, 2010.

- 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 provides 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 activities by means of monthly reports sent to Board members, which allow the Board to monitor the performance of each of the Group's activities and to ensure that it is consistent with the objectives set;
- monitoring and control of the activity and performance of the Group's operating units, involving the following parties:
  1. Recylex S.A.'s management control unit, which tracks subsidiaries' activity 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 (the Magnitude package) are reviewed by Recylex S.A.'s management control unit and if necessary are the subject of inquiries made to the subsidiary;
  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 the SAP software package.

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

In this section, the term "Group" means Recylex S.A. and its consolidated subsidiaries within the meaning of 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 integrating costs between subsidiaries. In terms of information flows, it ensures the use of common accounting formats and the uniform accounting treatment of transactions.

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

Each Group company accomplishes accounting tasks within this uniform information system, either using its own accounting staff or, in some cases, sharing the services of an independent accountant. The FY 2017 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 the consistency of the data and can request any further information or clarification it deems necessary from the Group subsidiaries or establishments concerned. This reporting process thus allows Recylex S.A.'s senior management to track the Group's activity and the achievement of assigned objectives on a monthly basis.

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 of derivative hedging of 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. and consolidated financial statements have been prepared, they are reviewed by the Audit Committee before the Board meeting that approves them.

2.9.9.3. 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 competent 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.

2.9.10. Current delegation 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 2017, as granted by the General Meeting to the Board of Directors, relating to capital increases and the use of these powers made during FY 2017.

Nature of the delegation	Date of General Meeting	Period (expiry date)	Maximum authorized amount	Use made in FY 2017
Repurchase/transfer by Recylex S.A. of its own shares	July 11, 2017 (no. 11)	18 months (January 11, 2019)	10% of share capital at July 11, 2017	None
Reduction in share capital by cancellation of shares	July 11, 2017 (no. 14)	24 months (July 11, 2019)	10% of share capital in any 24-month period	None
Allotment of free shares	July 11, 2017 (No. 15)	38 months (September 11, 2020)	10% of share capital at July 11, 2017	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 General 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 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 S.A. ("Kepler Cheuvreux") on December 29, 2016. The main characteristics of the agreement are:

- 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 flat-rate warrant issuance price is €500 (five hundred), and unit issuance 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 current 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%.

At December 31, 2017, 1,160,000 exercisable warrants for Recylex shares were still outstanding. Following the warrants exercised between January 1, 2017 and December 31, 2017 in connection with the aforementioned equity line, 1,240,000 new shares were issued, giving rise to a net cash inflow of €6.9 million.

At March 31, 2018, there were 1 080 000 outstanding Recylex share warrants exercisable. Following the warrants exercised between January 1, 2018 and March 31, 2018 in connection with the equity line, 80 000 new shares were issued, giving rise to a net cash inflow of €1,012,340 million.

2.9.11. Employee share ownership

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

At December 31, 2017, Group employees did not own any Recylex S.A. shares under employee share ownership programs or other similar plans as stipulated in Article L. 225-102 of the Commercial Code.

2.9.12. Treasury stock transactions and holdings

At December 31, 2017, 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.

2.9.13. 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 notified to Recylex S.A. under 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 during 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 it is a transfer from one registered owner 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 merger or split-up operation.
5. The Company did not have any employee share ownership plans in place at December 31, 2017.
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 modification 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' rules, prior discussion by the Board of Directors is required in the event of total or partial disposal of equity stakes 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, 2017), 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), comes 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), comes to hold directly or indirectly more than 30% of Recylex S.A.'s share capital or voting rights.

2.9.14. 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 products 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 economic ownership of the shares in these entities remains with the Recylex Group entities, which continue to operate and enjoy their rights as shareholders provided that the borrowers do not default on their obligations. From an accounting perspective, the arrangement does not lead to deconsolidation insofar as the settlors, given the rights they retain, maintain control of the assets transferred as defined in the accounting regulations provided that the borrowers do not default on 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 underwent the procedure applicable to regulated agreements as defined in Article L. 225-38 of the Commercial Code.

2.10. SHARE CAPITAL, OTHER EQUITY INSTRUMENTS, RESULTS AND OTHER INFORMATION FOR THE PAST FIVE FINANCIAL YEARS

Amounts in euros	2013	2014	2015	2016	2017
I. SHARE CAPITAL AND OTHER EQUITY INSTRUMENTS AT THE YEAR-END					
Share capital	47,951,964	48,221,964	31,826,496	**31,826,496**	**9,435,178**
Number of ordinary shares in issue	23,975,982	24,110,982	24,110,982	**24,110,982**	**25,500,482**
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	510,000	500,000	490,000	**445,000**	**265,500**
II. OPERATIONS AND RESULTS FOR THE YEAR					
Revenues excluding VAT	75,572,268	75,490,843	63,603,664	59,079,300	**91,088,992**
Income before tax, employee profit sharing, depreciation, amortization and provisions	(3,177,135)	(3,423,692)	2,382,066	1,637,140	**(27,981,969)**
Tax	(379,240)	(146,536)	(71,059)	(312,959)	**(148,210)**
Employee profit-sharing in respect of the financial year					
RIncome after tax, employee profit sharing, depreciation, amortization and provisions	(1,934,173)	(4,314,913)	(9,465,861)	(14,910,435)	**6,493,991**
Résultat distribué					
III. EARNINGS PER SHARE					
Income after tax, employee profit sharing, but before depreciation, amortization and provisions	(0.12)	(0.14)	0.10	0.08	**(1.09)**
Income after tax, employee profit sharing, depreciation, amortization and provisions	(0.08)	(0.18)	(0.39)	(0.62)	**0.25**
Net dividend per share					
IV. EMPLOYEES					
Average number of employees during the year	40	40	38	37	**38**
Total payroll for the year	2,380,151	2,363,997	2,379,206	2,293,806	**3,535,352**
MAmount paid with respect to benefits for the year (social security, social welfare, etc.)	1,246,409	1,221,108	1,179,969	1,139,367	**1,152,762**

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, 2017

This is a free English translation of the Statutory Auditors' 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.

To the Shareholders,

In our capacity as Statutory Auditor of Recylex S.A., (hereinafter named the "Company"), appointed as independent third party and certified by COFRAC under number 3-1049[1], we hereby report to you on the consolidated human resources, environmental and social information for the year ended December 31st 2017, included in the management report (hereinafter named "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code *(Code de commerce)*.

COMPANY'S RESPONSIBILITY

The Board of Directors is responsible for preparing a company's management report including the CSR Information required by article R.225-105-1 of the French Commercial Code in accordance with the guideline used by the Company (hereinafter the "Guideline"), summarised in the management report and available on request from the Company's head office.

INDEPENDENCE AND QUALITY CONTROL

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

STATUTORY AUDITORS' RESPONSIBILITY

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guideline (Conclusion on the fairness of CSR Information).

However, it is not our responsibility to pronounce on the compliance with the relevant legal provisions applicable if necessary, in particular those envisaged by the law n ° 2016-1691 of December 9, 2016 known as Sapin II (fight against corruption).

Our work involved five persons and was conducted between October 2017 and April 2018 for three weeks. We were assisted in our work by our CSR experts.

We performed our work in accordance with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and with the professional guidance issued by the French Institute of statutory auditors (Compagnie nationale des commissaires aux comptes) relating to this engagement and with ISAE 3000[2] concerning our conclusion on the fairness of CSR Information.

1. Attestation regarding the completeness of CSR Information

Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code within the limitations set out in the methodological note, presented in the "Indicators and reporting scope" subsection of the "Sustainability" section of the management report.

Conclusion

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

2. Conclusion on the fairness of CSR Information

Nature and scope of our work

We conducted about ten interviews with the persons responsible for preparing the CSR Information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guideline in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

[1] *"whose scope is available at www.cofrac.fr".* [2] *ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.*

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important[3] :

- at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of sites selected by us[4] on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied and to identify potential undisclosed data, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents 46% of headcount considered as material data of social issues and between 20% and 58% of environmental data considered as material data[5] of environmental issues.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part taking into consideration, if any, industry best practices set out in guideline.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are 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. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guideline.

Paris - La Défense,, April 13, 2018

KPMG S.A.

Philippe Arnaud
Partner
Sustainability Services

KPMG Audit ID
Alexandra Saastamoinen
Partner

[3] *Quantitative information: 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. Qualitative information: Outcomes of collective agreements; The organization of the company to integrate environmental issues and, if appropriate, the assessments and certification process regarding environmental issues; Energy consumption and measures implemented to improve energy efficiency and renewable energy use; Amount of provisions and guarantees for environmental risks; Actions implemented to prevent corruption.*

[4] *Weser-Metall GmbH, Harz-Metall GmbH (Germany), Recylex S.A., Escaudoeuvres (France).*

[5] *Please refer to the environmental indicators list presented in footnote 3.*

DESCRIPTION OF THE SHARE BUYBACK PROGRAM FOR 2018 SUBMITTED FOR APPROVAL TO THE SHAREHOLDERS' MEETING OF JUNE 5, 2018

This document has been drafted in compliance with the provisions of Article L. 451-3 of the French Monetary and Financial Code and Articles 241-1 and 241-2 of the General Regulation of the *Autorité des Marchés Financiers*, for the purpose of describing the objectives and terms and conditions of the buyback program allowing Recylex S.A. (the "Company") to buy back its own shares.

At the Combined General Meeting of the Company held on June 5, 2018, the shareholders will be requested to authorize the Board of Directors to purchase or to arrange for the purchase of Company shares, in accordance with Articles L. 225-209 et seq. of the French Commercial Code, up to a maximum of 10% of the Company's share capital at the date of the Shareholders' Meeting (the "2018 Buyback Program").

Date of the Shareholders' Meeting due to authorize the 2018 Buyback Program

The 2018 Buyback Program will be submitted for approval to the Company's shareholders at the Combined General Meeting to be held on June 5, 2018.

Number of equity shares held directly or indirectly by the Company

At December 31, 2017, the Company directly held 23,939 of its own shares, representing approximately 0. 09% of the Company's share capital.

At the date hereof, the Company did not own any shares indirectly.

Express distribution of shares held as treasury stock

The remaining 23,939 shares held in treasury are earmarked for distribution to employees of the Recylex Group, namely under the stock option plan offered to some or all employees or company officers.

Objectives of the 2018 Buyback Program

The objectives of the 2018 Buyback Program are the following:

- to establish and fulfill obligations with respect to stock option plans or other plans to allocate shares to employees and company officers of the Company or other affiliated companies of the Recylex Group under (i) a corporate profit sharing plan and (ii) any plan involving stock purchases, options or free share awards (including any stock transfer under Article L. 3332-24 of the French Labor Code) offered to some or all employees or company officers, and to carry out any hedging transactions in connection therewith;
- to reduce the Company's share capital by retiring shares, as set out in the thirteenth resolution submitted for approval to this Shareholders' Meeting, subject to said approv al;
- to provide liquidity for the Company's shares through an investment services provider by way of a liquidity contract drafted according to the Compliance Charter recognized by the *Autorité des Marchés Financiers*;
- to hold shares in reserve for future exchanges or payment in connection with any corporate acquisitions, in accordance with recognized market practices and with the applicable regulations;
- to establish and fulfill obligations with respect to debt instruments convertible into ownership interests and namely to deliver Company shares pursuant to the exercise of any rights attaching to securities giving immediate or future access to shares, and to carry out any hedging transactions in respect of any of the Company's obligations in connection with such securities.

In accordance with the applicable laws and regulations, including those applying to stock market disclosures, the Company reserves the right to carry out the authorized reallocations of shares purchased to fulfill one of the objectives of the program to one or more of its objectives, or to sell the shares on the market or in a private transaction through an independent investment services provider.

Maximum percentage of share capital concerned by the 2018 Buyback Program/Maximum number of shares that can be acquired under the 2018 Buyback Program / Maximum amount of funds allocated to the 2018 Buyback Program

The maximum amount of capital the Company may acquire under the 2018 Buyback Program is 10% of the Company's existing share capital at the date of the Shareholders' Meeting held on June 5, 2018.

The maximum number of shares that can be purchased under the 2018 Buyback Program is 2,581,198.

The maximum amount of funds allocated to the Buyback Program is set at €5,000,000.

Maximum purchase price

The purchase price shall not be in excess of €10 per share, wherein in the event of any capital transactions, namely involving capitalization of reserves and free share awards, and/or stock splits or consolidation of shares, the price shall be adjusted accordingly.

Class of shares concerned by the 2018 Buyback Program

The shares concerned by the 2018 Buyback Program shall be ordinary shares of the Company.

Duration of the 2018 Buyback Program

If approved by the Shareholders' Meeting, the authorization of the Board of Directors to acquire Company shares shall run for eighteen months starting from the date of the Meeting of June 5, 2018, i.e., until December 5, 2019.

At present, the date from which the Board of Directors may decide to implement the 2018 Buyback Program has not been set.

Other features of the 2018 Buyback Program

Such shares may be acquired or transferred, in any way, namely on the market or in a private transaction, by block purchases or sales, via derivatives traded on a regulated market or in a private transaction provided that such transactions are carried out according to the rules and regulations in force at the time of the relevant transactions, and at such times as the Board of Directors or their delegated representative shall decide, except during periods of public offers for the Company's shares.

The shares bought and held by the Company shall not carry voting rights and shall not be eligible for dividends.

In accordance with Article 241-2 of the General Regulation of the *Autorité des Marchés Financiers*, any material change in any information contained herein shall be brought to the attention of the public as soon as possible, as set forth in Article 221-3 of the General Regulation of the *Autorité des Marchés Financiers*.

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2017

STATEMENT OF FINANCIAL POSITION

Financial year ended December 31, 2017

In thousands of euros	Notes	12/31/2017	12/31/2016
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3 and 5	76,926	44,536
Intangible assets	4 and 5	66	714
Financial assets	6	58	1,312
Derivatives	36	-	-
Other non-current assets	7	2,726	2,494
Investments in associates	7	14,286	9,713
Deferred tax assets	28	11,673	10,446
Subtotal		**105,735**	**69,215**
CURRENT ASSETS			
Inventories	8	47,437	36,033
Trade receivables	9	31,165	25,059
Current income tax assets		4	5
Other current assets	10	10,100	8,181
Derivatives	36	-	3,250
Cash and cash equivalents	11	5,546	6,172
Sub-total		**94,252**	**78,700**
Non-current assets held for sale		**-**	**-**
Sub-total		**94,252**	**78,700**
TOTAL ASSETS		**199,987**	**147,915**
EQUITY AND LIABILITIES			
EQUITY			
Issued capital	12	9,435	31,827
Share premiums		7,103	869
Reserves attributable to equity holders of the parent		(40,125)	(55,039)
Net income attributable to equity holders of the parent		17,989	(10,079)
Translation adjustments		1,427	1,427
Share premiums and reserves attributable to equity holders of the parent		**(4,171)**	**(30,996)**
Minority interests		**-**	**-**
Total equity		**(4,171)**	**(30,996)**
NON-CURRENT LIABILITIES			
Interest-bearing borrowings	13	42,214	9,735
Provisions	14	18,796	47,270
Employee benefits	15	32,750	34,994
Other non-current liabilities	18	33,646	8,699
Deferred tax liabilities	28	-	-
Total non-current liabilities		**127,406**	**100,698**
CURRENT LIABILITIES			
Interest-bearing borrowings	13	22,325	14,816
Provisions	15	10,310	16,927
Employee benefits	15	2,139	2,275
Trade payables	16	31,926	35,181
Current tax liabilities		569	60
Derivatives	36	55	-
Other current liabilities	17	9,428	8,954
Sub-total		**76,752**	**78,213**
Liabilities associated with non-current assets held for sale		**-**	**-**
TOTAL LIABILITIES		**76,752**	**178,911**
TOTAL EQUITY AND LIABILITIES		**199,987**	**147,915**

CONSOLIDATED INCOME STATEMENT

Financial year ended December 31, 2017

In thousands of euros	Notes	12/31/2017	12/31/2016
Sales of goods and services		450,295	382,064
Total sales	**19**	**450,295**	**382,064**
Purchases used		(348,965)	(286,770)
Staff costs	21	(44,893)	(43,987)
External costs	20	(43,321)	(41,581)
Taxes other than on income		(1,274)	(1,179)
Depreciation, amortization and impairment losses	23	(8,383)	(9,421)
Goodwill impairment losses		-	-
Changes in work-in-progress and finished goods		9,399	(564)
Other operating income and expense	24	1,709	1,343
Operating income before non-recurring items		**14,567**	**(94)**
Other non-recurring operating income and expense	25	1,582	(20,168)
Share in income from equity affiliates		10,558	6,033
Operating income		**26,652**	**(14,230)**
Interest income from cash and cash equivalents		37	27
Gross interest expense		(6,197)	(4,938)
Net interest expense	**26**	**(6,160)**	**(4,911)**
Other financial income and expense	**27**	**(3,806)**	**4,029**
Income taxes	28	1,248	5,033
Net income before minority interests		**17,989**	**(10,079)**
Minority interests		-	-
Net income attributable to equity holders of the parent		**17,989**	**(10,079)**
Earnings per share *(in euros)* :			
- basic	29	0.72	(0.42)
- diluted	29	0.71	(0.41)

STATEMENT OF COMPREHENSIVE INCOME

Financial year ended December 31, 2017

In thousands of euros	12/31/2017	12/31/2016
Net income	**17,989**	**(10,079)**
Translation adjustment	16	2
Cash flow hedges	-	-
Deferred tax on cash flow hedges	-	-
Income and expenses recognized directly in equity	-	4
Total other comprehensive income to be reclassified as net income	**16**	**6**
Actuarial gains and losses relating to pension liabilities	1,553	(1,696)
Deferred taxes on actuarial gains and losses relating to pension liabilities	(505)	881
Share of affiliates for elements not to be reclassified as net income, net of tax		
Total other comprehensive income not to be reclassified as net income	**1,048**	**(815)**
Comprehensive income	**19,053**	**(10,888)**
Of which:		
Attributable to equity holders of the parent	19,053	(10,888)
Minority interests	-	-

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

At December 31, 2017

In thousands of euros, except per share data	Number of shares	Share capital	Share premiums	Hedging reserves	Consolidated reserves	Total equity attributable to eq. holders of parent	Total equity
Equity at January 1, 2016	**24,110,982**	**31 826**	**869**	**(11 251)**	**(41 552)**	**(20 108)**	**(20 108)**
Net income for the year	-	-	-	-	(10,079)	(10,079)	(10,079)
OTHER COMPREHENSIVE INCOME							
Change in hedging reserves net of tax (1)	-	-	-	-	-	-	-
Change in translation adjustments	-	-	-	-	2	2	2
Actuarial gains and losses on pension liabilities net of tax	-	-	-	(815)	4	(811)	(811)
Total other comprehensive income	-	-	-	*(815)*	*6*	*(809)*	*(809)*
Comprehensive income for the period	**-**	**-**	**-**	**(815)**	**(10,073)**	**(10,888)**	**(10,888)**
Share-based payment	-	-	-	-	-	-	-
Increase in shares/reduction in capital	-	1	-	-	-	-	-
Equity at December 31, 2016	**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 (1)	-	-	-	-	-	-	-
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 in shares/reduction in 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)**

CONSOLIDATED CASH FLOW STATEMENT

Financial year ended December 31, 2017

In thousands of euros	12/31/2017	12/31/2016
Operating income before non-recurring items	**14,567**	**(94)**
Depreciation, amortization and impairment losses	8,383	9,421
EBITDA (*)	**22,950**	**9,326**
Change in current working capital requirement	(23,021)	568
Inventories	*(11,019)*	*(2,995)*
Trade receivables	*(6,099)*	*(5,488)*
Trade payables	*(5,536)*	*12,309*
Other current assets and liabilities	*1,477*	*(1,232)*
Provision for employee benefit obligations	*(1,844)*	*(2,026)*
Current non-cash income and expenses	1,020	1,332
Elimination of stock option impacts	-	-
Gains or losses on disposals of non-current assets	-	*153*
Employment benefit obligations	*1,020*	*1,179*
Cash flow from recurring operating activities before tax	**949**	**11,226**
Income tax expense	28	(393)
Cash flow from recurring operating activities after tax	**977**	**10,833**
Other non-recurring operating income and expense	(9,081)	(326)
Other income and expense relating to remediation of sites	(1,647)	(1,659)
Change in non-current working capital requirement	131	(184)
Miscellaneous financial income and expense	(2,055)	(1,534)
Currency gains and losses	*(635)*	*(606)*
Factoring costs	*(1,327)*	*(1,065)*
Other financial income and expense	*(93)*	*137*
Change in liabilities under the continuation plan	-	-
Dividends received	6,000	4,109
Cash flow from operating activities	**(5,675)**	**11,238**
Changes in the scope of consolidation		
Purchases of property, plant and equipment, and intangible assets	(37,172)	(6,360)
Change in financial assets	(630)	(466)
Disposals of property, plant and equipment, and intangible assets	1,250	101
Cash flow from investing activities	**(36,552)**	**(6,725)**
Increase in borrowings	39,692	-
Repayment of borrowings	(1,550)	(1,639)
Other items relating to financing activities	-	-
Interest income/(expense) on financial assets	(6,109)	(4,916)
Other movements in the share capital	7,772	-
Cash flow from financing activities	**39,805**	**(6,554)**
Impact of changes in accounting methods	-	-
Changes in cash and cash equivalents	**(2,422)**	**(2,040)**
Opening net cash and cash equivalents	(7,032)	(4,993)
Closing net cash and cash equivalents	(9,454)	(7,032)
Changes in cash and cash equivalents	**(2,422)**	**(2,040)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. PRESENTATION OF THE BUSINESS AND SIGNIFICANT EVENTS

DETAILS OF THE COMPANY

On April 13, 2018, the Board of Directors approved and authorized publication of Recylex S.A.'s consolidated financial statements for the year ended December 31, 2017. These consolidated financial statements are subject to the approval of shareholders at the June 5, 2018 Shareholders' Meeting.

Recylex S.A. is a "Société Anonyme" (joint-stock corporation) registered in France and listed on Euronext Paris (RX- ISIN code: FR0000120388).

Business description

Recylex is a group operating mainly in France and Germany, employing more than 660 staff (including Recytech S.A., which is 50%-owned) across ten production facilities.

The company specializes in recycling lead and polypropylene (mainly from used automobile and industrial batteries), recycling zinc from electric arc furnace dust or zinc scrap, and the production of very-high-purity special metals.

Significant events in the 2017 financial year

Metal prices in euros and €/$ exchange rates

(€ per tonne)	2017 average	2016 average	Change (%)
Lead price	2,052	1,694	+21%
Zinc price	2,561	1,896	+35%

In 2017, lead prices were 21% higher than in 2016 on average, but varied widely between quarters. After rising significantly in the first quarter – continuing the increase seen in the third and fourth quarters of 2016 – the lead price fell in the second, rallied slightly in the third and then rose more significantly in the fourth.

The average zinc price was 35% higher in 2017 than in 2016. Despite correcting in the second quarter, and bottoming out at the end of that quarter, the zinc price remained higher than 2016 levels and then rose sharply in the third and fourth quarters of 2017. The zinc price had fallen substantially in the first half of 2016 before rallying sharply in the second half of that year.

In 2017, the average €/$ exchange rate rose by 2% to 1.1295 as opposed to 1.1067 in 2016. However, the euro was on a steady uptrend throughout the year.

Consolidated key figures

In millions of euros	2017	2016	Change
Sales	**450.3**	382.1	+68.2
Operating income before non-recurring items	**14.5**	(0.1)	+14.6
Net income	**18.0**	(10.1)	+28.1

Lead segment

In millions of euros	2017	2016	Change
Sales	**324.1**	278.3	+45.8
Operating income before non-recurring items	**7.3**	3.7	+3.6

The Lead segment's sales accounted for 72% of the Group's consolidated total in 2017. They amounted to €324.1 million in 2017, up 16% relative to 2016 because of a sharp rise in lead prices and very good production levels compared with the previous year.

Conditions were favorable in 2017, with sharp rise in lead prices and greater availability of used batteries. Against the background, the Group continued to maintain its margins and the balance of materials used in the lead smelter moved towards secondary materials. Lead concentrate tolling volumes fell because of weaker commercial conditions.

The Group's used battery processing plants recycled 137,100 tonnes of waste (+24%) and Weser-Metall GmbH's smelter produced 122,600 tonnes of lead ingots (+5%), despite a major maintenance shutdown in the first half of 2017, whereas no such shutdown had taken place in 2016.

For all of those reasons, the Lead segment's economic performance improved again. The Lead segment's operating income before non-recurring items was €7.3 million in 2017, a solid increase on the 2016 figure of €3.7 million. The slight slowdown in the second half of 2017 compared with the first was mainly due to weaker commercial conditions for lead concentrates, and to a lesser extent to a short maintenance shutdown at the Nordenham lead smelter in the fourth quarter.

Given improved performance and the brighter outlook in this segment, the Group released €2.3 million of asset impairment provisions.

Zinc segment

In millions of euros	2017	2016	Change
Sales	**98.4**	73.2	+25.2
Operating income before non-recurring items	**16.4**	6.9	+9.5

Zinc sales accounted for 22% of the Group's consolidated total in 2017. They amounted to €98.4 million in 2017, up 34% compared with 2016.

With 178,200 tonnes of electric arc furnace dust processed (vs. 173,700 tonnes in 2016), Waelz oxide production at the Group's two facilities (Harz-Metall GmbH in Germany and 50%-owned Recytech S.A. in France) amounted to 73,270 tonnes in 2017, as opposed to 72,600 tonnes in 2016. That represents an increase of 1% despite the major scheduled maintenance shutdown at the Harz-Metall GmbH plant in the first half of 2017.

Norzinco GmbH recycled 22,600 tonnes of waste (vs. 22,300 in 2016) and produced 23,800 tonnes of zinc oxide in 2017, stable compared with 2016.

IFRS operating income before non-recurring items was €16.4 million, sharply higher than the 2016 figure of €6.9 million.

The Zinc segment's financial performance improved relative to 2016 and also improved in each half of 2017. That was because its earnings are positively correlated with the zinc price, which rose sharply in 2017 (peaking in the second half), and because production levels were firm, fully offsetting the impact of Harz-Metall GmbH's major maintenance shutdown in the first half of 2017 (no shutdowns in 2016).

Special Metals segment

In millions of euros	2017	2016	Change
Consolidated sales	**14.2**	15.0	-0.8
Operating income before non-recurring items	**(1.9)**	(3.3)	+1.4

Special Metals sales contributed 3% of the Group's consolidated total in 2017. PPM Pure Metals GmbH generated sales of €14.2 million, down 5% compared with 2016.

This fall was chiefly attributable to the decline in germanium and gallium sales, due to lower volumes and prices. However, sales of high-purity arsenic recovered strongly compared with 2016, with higher volumes and prices.

The segment's operating loss before non-recurring items came to €1.9 million, compared with a loss of €3.3 million in 2016.

While the context remained tough, this slight improvement resulted from firm arsenic sales volumes, commercial efforts to increase germanium sales, initiatives to diversify the metals portfolio and efforts to limit costs.

€0.5 million was added to asset impairment provisions.

Plastics segment

In millions of euros	2017	2016	Change
Consolidated sales	**13.6**	15.5	-1.9
Operating income before non-recurring items	**0.1**	0.3	-0.2

Plastics sales accounted for 3% of consolidated sales in 2017. They fell 12% year-on-year to €13.6 million.

Recycled polypropylene production amounted to 13,260 tonnes, down 10% compared with 2016.

Business levels remained severely restricted by the reduced competitiveness of recycled materials compared with virgin polypropylene and by weak demand from the auto industry, particularly in Germany.

The segment achieved operating income before non-recurring items of €0.1 million in 2017 as opposed to €0.3 million in 2016.

Group cash position and external financing

Cash flow from recurring operating activities generated by the Group's industrial activities remained positive at €0.9 million as opposed to €10.8 million in 2016. Despite significantly improved profitability in the Lead and Zinc segments, along with higher dividends from equity affiliates, the decline was mainly caused by the €23.0 million increase in the Group's working capital requirement because of higher business levels in 2017 and particularly:

- the significant increase in the value of materials inventories (+€11 million) because of higher lead and zinc prices but also higher volumes;
- the €6.0 million increase in trade receivables and the fall in trade payables, which pushed up the WCR by €5.5 million.

Cash flow from financing activities amounted to €39.8 million, covering all investing activities (€36.5 million in 2017, sharply higher than the 2016 figure of €6.7 million) and some of the cash outflow resulting from non-recurring operating activities, which mainly consisted of:

- the payment of compensation to former employees of Metaleurop Nord, amounting to €8.2 million (including interest) in accordance with the judgments of the Douai Appeal Court on 31 January 2017, and the payment of €1.4 million to the European Commission under the phased payment plan relating to the fine handed down on 8 February 2017;
- environmental expenses of €2.0 million.

For all those reasons, the Group's net cash position, after deduction of drawn credit lines, was negative at -€9.5 million at December 31, 2017 versus -€7.0 million at December 31, 2016.

Even so, the Group's gross cash remained almost stable at €5.5 million at December 31, 2017, compared with €6.2 million at December 31, 2016, including the use of all available credit lines totaling €15.0 million. At December 31, 2016, the Group had €13.2 million of drawings on credit lines.

The Group's net debt[1] totaled €93.1 million at December 31, 2017, up from €27.1 million at December 31, 2016. That sharp increase was mainly due to:

- €32.2 million of drawdowns on the borrowings arranged in Germany in December 2016, principally to finance the capital expenditure policy, mainly relating to the construction of the Lead segment's new reduction furnace;
- the conversion of existing provisions into debt, including €25.9 million linked to the European Commission fine,
- the drawdown of the remainder of the lending facility obtained in 2014 for €7.5 million.

Consolidated debt maturing in more than five years amounted to €46.6 million at December 31, 2017.

Cash position of the parent company, Recylex S.A.

At December 31, 2017, the Recylex S.A. parent company had available cash of €0.4 million, compared with €0.3 million at December 31, 2016. The Company has prepared cash forecasts for 2018 based on the information currently available to it, including payments related to its commitments to rehabilitate its former mining sites and its L'Estaque site.

During the second quarter 2017, an agreement was concluded with the European Commission for the payment of a €26.7 million fine, and was included in the cash flow projections of Recylex S.A. The terms and conditions of this plan are confidential but are compatible with the cash flow forecast established by Recylex S.A., enabling the Group to fulfill its currently identified and provisioned commitments in France and in Germany through to the end of the plan (excluding unidentified and non-provisioned risks as described in Note 32).

In 2014, Recylex S.A. signed a loan agreement for a maximum amount of €16.0 million with Glencore International AG. All the information about this loan agreement is described in detail in Note 13 to the consolidated financial statements for the year ended December 31, 2017. At December 31, 2017, the Company had drawn all of that loan facility. Under the agreement to pay the fine decided by the European Commission, the repayment of this loan facility has been deferred to 2024.

The search for financing and specialized partnerships dedicated specifically to remediation works at the L'Estaque site commenced in 2013 was unsuccessful, and so Recylex S.A. resumed the remediation works at the L'Estaque site in the second half of 2017, at a cost of €1.2 million. At December 31, 2017, €9.9 million of provisions had been set aside to cover all work still to be done, and the work will be financed by Recylex S.A.

Drawings in 2017 on the equity line arranged with Kepler Cheuvreux in December 2016 generated net cash flow of €6.9 million through the issue of 1,240,000 new shares in 2017.

The impact of the Group's German operations on the cash situation and the risks facing the parent company Recylex S.A. are described in Note 32.

Recylex S.A. rescheduled liabilities

On December 15, 2015, the Paris Commercial Court confirmed that the Company's continuation plan had been completed. Recylex S.A. has therefore completed the 10-year continuation plan adopted in November 2005. The Company spent a total of €58 million under the plan.

Certain creditors under the plan, including Glencore International AG, agreed in 2013 on the deferral to 2019 - i.e. beyond the term of the plan - of the repayment of the balance of liabilities under this plan.

At December 31, 2017, Recylex S.A.'s financial liabilities relating to the deferred payments (after elimination of intra-group debts and before discounting) was €5.1 million. In the frame of the staggered installment plan to pay the fine decided by the European Commission, the repayment by Recylex S.A. of these liabilities has been deferred to 2026.

Legal proceedings in progress concerning Recylex S.A.

A document summarizing the developments in proceedings concerning Recylex S.A. and Metaleurop

(i) Former employees of Metaleurop Nord S.A.S.

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

In 2013, the Lens Labor Court ruled that Recylex S.A. was a co-employer

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

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 against 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 regard Recylex S.A. as the co-employer of the claimants, but nevertheless considered that Recylex S.A. 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 for their loss of a chance to keep their jobs, along with €400 in costs, making a total of €7,759,800 in principal. On December 1, 2017, all the principal amounts and interest due pursuant to these decisions were paid out Recylex S.A., which lodged an appeal against these decisions before the Cour de Cassation. The Cour de Cassation examined this appeal at its hearing of April 10, 2018 and its decisions will be issued on May 24, 2018.

As a reminder, 91 of the 187 aforementioned 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 current administrative proceedings regarding the inclusion of the Metaleurop Nord site in Noyelles-Godault on the list of facilities entitling asbestos workers to early retirement benefits ("ACAATA benefits"). As part of those proceedings, the Douai Administrative Appeal Court decided, in an order of March 2, 2017 that has become definitive, that the inclusion order should be revoked and a ministerial order having that effect was issued on December 19, 2017 (see section (iii) below).

b) 2013-2017: This concerns 455 claims for damages in respect 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 €4.3 million of provisions 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 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 French Civil Procedure Code, making a grand total of €1,213,500. Recylex S.A. has appealed against these decisions, thereby suspending their application, and the next hearing before the Douai Appeal Court is scheduled for May 15, 2018. The claims made by seven former non-protected employees were rejected, but two of those employees have appealed.

Concerning anxiety damages claims 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 €3,000 and €24,000 as damages, along with €500 under article 700 of the Civil Procedure Code, totaling €186,500. Recylex S.A. intends to appeal against these decisions, thereby suspending their enforcement.

330 anxiety damages claims totaling around €20 million are pending before the Lens Labor Court and are due to be heard on March 26, 2019. The next hearing before the Lens Labor Court concerning the damages claims of 15 former protected employees disputing their dismissal, in a total amount of €1.7 million, is also scheduled for March 26, 2019.

((ii) Application by Recylex S.A. to be joined to proceedings against the cancellation of the dismissal authorizations of 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 former protected employees to cancel authorization of their dismissal. Since Recylex S.A. has never been called to appear or represented in connection with this administrative procedure, it applied in January 2015 to join 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.

On December 31, 2015, the Douai Administrative Appeal Court accepted Recylex S.A.'s application to be joined to the proceedings, but rejected the appeal by Metaleurop Nord S.A.S.'s liquidators against the decision by the Lille Administrative Court that cancelled the dismissal authorizations relating to 16 protected former employees. In February 2016, Recylex S.A. filed an appeal before the Conseil d'Etat. On February 7, 2018, the Conseil d'Etat decided to cancel the Douai Administrative Appeal Court's order of December 31, 2015 and the Lille Administrative Court's decision of October 2, 2013 concerning two protected former employees of Metaleurop Nord S.A.S., with the effect that the redundancy authorizations granted in 2003 in respect of those employees remain valid.

(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 anxiety and/or disruption to livelihood and/or breach of a security obligation 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 on 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 dialogue to add said facility to the list of those eligible for the ACAATA allocation for the period between January 1, 1962 and December 31, 1996. An interministerial order was made on November 5, 2013 for that purpose.

Since Recylex S.A. has never been asked to appear or represented in connection with these administrative proceedings, 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 inclusion of Metaleurop Nord S.A.S.' site in Noyelles-Godault on the list of those giving an entitlement to ACAATA benefits. 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 taken 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 July 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 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 for the Chœurs de Fondeurs association;
- enjoin the French ministry of labor, employment, continuing professional development and employee-management dialogue to cancel, within two months of notification of the present 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 that order has become definitive after the Chœurs de Fondeurs appeal was rejected by the Conseil d'Etat, a ministerial order revoking the classification orders of November 5, 2013 and March 2, 2016 was made on December 19, 2017. On February 19, 2018, a claim for annulment of this ministerial decree has been lodged by two former employees of Metaleurop Nord S.A.S.

(iv) The liquidators of Metaleurop Nord S.A.S.

a) Proceedings for damages against the liquidators

On March 19, 2013, Recylex S.A. commenced proceedings for damages before the Béthune Regional Court against the liquidators of Metaleurop Nord S.A.S. for the prejudice that Recylex S.A. had suffered on account of the fault committed by the liquidators in connection with the dismissals of the former employees of Metaleurop Nord S.A.S., which led to damages being awarded to the latter. The hearing for pleadings before the Béthune Regional Court is scheduled for June 5, 2018.

b) Proceedings 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 principal amount of around €22 million, which is not provisioned and 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 employees by the AGS salary guarantee fund regime.

On April 11, 2018, the Arras Commercial Court ruled in favor of Recylex S.A. The claim from the liquidators of Metaleurop Nord S.A.S. was considered inadmissible as being time-barred since March 21, 2013 on the one hand, and for not having been declared within the scope of the judicial recovery procedure of Recylex S.A. whilst their alleged receivable was born before its opening, on the second hand.

No provision has been set aside in the Company's financial statements in relation to these proceedings.

(v) European Commission inquiry into the lead recycling sector

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 enquiry that started in 2012 regarding anti-competitive practices in the purchasing of scrap lead car batteries.

In 2016, the Company and its subsidiaries involved in this procedure received requests for additional information from the European Commission, to which they responded within the specified timeframes.

On February 8, 2017, the European Commission fined Recylex S.A. €26.7 million for anti-competitive practices in the purchasing of scrap batteries, this amount including 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.

Recylex and its concerned subsidiaries have decided to appeal against this decision.

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

NOTE 2. ACCOUNTING POLICIES AND APPLICATION OF IFRS

SIGNIFICANT ACCOUNTING METHODS

Use of estimates

Management of Recylex S.A. has used certain estimates and assumptions in drawing up financial statements in accordance with IFRSs. 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 potential volatility of lead and zinc prices but also taking into account the caution required when assessing the economic prospects of the Group's business segments, the financial estimates used in the preparation of consolidated financial statements for the year to December 31, 2017 are based on the best current estimates of the Group's Directors.

The principal estimates made by the Group's management relate notably to depreciation and amortization, losses for impairment in the value of intangible assets and property, plant and equipment and additions to provisions for the remediation of mining sites, post-retirement benefit obligations, litigation, 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 described 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_fr.htm.

IFRS applicable at December 31, 2017

The accounting methods and valuation rules applied by the Group in the consolidated financial statements for the year to December 31, 2017 are identical to those used in the financial statements to December 31, 2016, with the exception of the changes detailed below.

The following standards have been applicable to the financial reporting presented since January 1, 2017 and have no material impact thereon:

- amendments to IAS 7 - Disclosure Initiatives,
- amendments to IFRS 12 - 2014-2016 Annual Improvements,
- amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses,
- amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The following new standards, amendments to existing standards and interpretations had been published but were not applicable at December 31, 2017, and were not adopted early by the Group:

- IFRS 9 – Financial Instruments (applicable from January 1, 2018);
- IFRS 15 - Revenue from Contracts with Customers (applicable from January 1, 2018);
- IFRS 16 – Leases (applicable from January 1, 2019);
- the application of IFRS 9 and 15 is unlikely to have a material impact on the financial statements.

Going concern

The annual financial statements have been prepared based on the going concern principle.

Scope and methods of consolidation

The consolidated financial statements include the financial statements of Recylex S.A., 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 joint ventures are proportionally consolidated 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.

SUMMARY OF SIGNIFICANT ACCOUNTING METHODS

Balance sheet

Pursuant to IAS 1, the Group has applied a balance sheet format with a distinction between current and noncurrent 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 Noncurrent 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

Property, plant and equipment

Property, plant and equipment is stated 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 under the straight-line method 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 defined 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 net assets acquired, and 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.

Asset impairment and loss of value

Impairment testing of intangible assets 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, impairment losses recognized for goodwill 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 testing of property, plant and equipment

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 nine 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 S.A.	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 has been 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 obtained by adding together the discounted value of the cash flows anticipated from the asset (or group of assets) and its ultimate disposal. 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 is applied a growth rate that is revised every year. 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, loans and receivables due from investments, as well as advances and guarantee deposits granted to third parties.

In accordance with IAS 39, investments in controlled, unlisted companies that are not consolidated are treated as available-for-sale securities and stated at fair value. Any gains and losses are recorded as a separate component of equity. Where there is objective evidence of impairment in a financial asset (notably a significant or prolonged diminution in value), an impairment loss that may not be reversed is recognized in income. Changes in fair value recognized in equity are recycled in income when the relevant assets are derecognized or sold.

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 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 of 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 receivable. 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 therefore 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 locate a buyer and complete the plan 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. Depreciation and amortization of those assets is discontinued.

Derivatives not designated as hedging instruments

The Group is exposed to two main trading 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. The 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 prices of metals contained in commercial inventories[2].

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 clients in the product price. However, during the transformation of the raw materials into the product,

[2] *Lead inventories at the smelter at Nordenham 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 value 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.*

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 client. A trading risk therefore exists concerning changes in metal prices between the time when the price of the raw material purchased is determined and the time when the price of the finished product is determined.

The Group uses derivatives traded on the London Metal Exchange (LME) or forward contracts to protect itself against these transactional risks. Those derivative instruments are initially and subsequently measured at their fair value, but they are not designated as hedging instruments within the meaning of IAS 39. 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 accounting principles specific to hedge accounting insofar as it can be demonstrated that hedging relationships between derivatives and the risks hedged satisfy the requisite conditions to qualify for hedge accounting. The conditions are:

- designation and formal documentation when the hedge is arranged;
- a demonstration that the hedge is effective at inception and continuously throughout the entire period for which it was initially implemented. Hedges are considered to be effective when the hedging instrument offsets between 80% and 125% of changes in fair value in and cash flows from the hedged item. Both retrospective and prospective hedge effectiveness tests must be passed.

The Group then identifies the hedging strategy, the risk hedged and the method used to assess the effectiveness of the hedge:

Fair value hedges

The hedged item is re-measured with respect to the risk hedged, and the hedging instrument is measured and recognized at its fair value. Changes in these two items are recorded simultaneously under operating income.

Cash flow hedges

The hedged item is not re-measured, and only the hedging instrument is re-measured at fair value. As the counterpart to this re-measurement, the effective portion of the change in fair value attributable to the hedged risk is recognized net of tax in equity. Amounts accumulated in equity are taken back to income when the hedged item affects the income statement. The ineffective portion is kept 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.

Total provisions

Provisions are set aside when the Group has a legal, contractual or implied 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 anticipated and where the amount of the obligation may 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 almost assured. 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 pre-tax 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.

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 extinguishment of the risk factor without any related outlay, the reversal takes place through a credit to the allowances for 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 undertakings which are set against non-current asset elements that reflect the expected date of expenditure (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, depending 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 post-retirement benefit obligations

Pursuant to the law and customary practice in each country, the Group provides its employees with pension plans. 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 in 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). The employee receives 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".

Liabilities recorded are equivalent to the current 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 bonus 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 granting 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, and its balancing entry is an increase in equity. When options are exercised, the exercise price received by the Group is recognized in cash and cash equivalents, with a balancing entry 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 maturity date of the plan).

Only stock option plans granted after November 7, 2002 under which rights had not vested by January 1, 2005 are stated and recognized in accordance with IFRS 2.

Leases

Finance leases, which transfer substantially all the risks and rewards of ownership incidental to ownership of the leased asset, are recognized on the face of 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 by the recycling process (silver, sulfuric acid) and from contributions to processing costs.

Revenue from the special metals business segment arises from sales of the high-purity metals (arsenic, germanium, gallium) produced or purified.

Revenue associated with these sales is recognized when the risks and benefits attached to ownership are transferred to the client and those benefits can be reliably measured.

For volumes processed under the tolling agreement, the volumes produced are not recognized when calculating sales.

Operating income before non-recurring items

Operating income before non-recurring items is the income 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 expense relating to legal claims relating to Metaleurop Nord *(see Notes 14 and 25)*;
- income and expense relating to closed industrial sites, former landfill sites and the Group's mining concessions as part of the giving up 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 operating income and 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 additions to and reversals from amortization and provisions (excluding provisions for retirement benefits). This indicator is a non-IFRS qualitative measure used to measure the company 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 taxation 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 carry forward.

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 the 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 ordinary shares outstanding during the period and the weighted average number of shares outstanding, 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, 2016 and December 31, 2017

12/31/2016 *In thousands of euros*	Gross	Accumulated depreciation and impairment losses *	Net
Land	5,035	(746)	4,289
Buildings	112,427	(98,272)	14,155
Plant, equipment and tools	212,375	(195,960)	16,415
Assets in progress	8,058	(542)	7,516
Other	23,686	(21,525)	2,161
Total	**361,581**	**(317,045)**	**44,536**

* *See Note 5*

12/31/2017 *In millions of euros*	Gross	Accumulated depreciation and impairment losses *	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**

* *See Note 5*

b) Change in property, plant and equipment between January 1, 2016 and December 31, 2017

In thousands of euros	Net
Net carrying amount after depreciation and impairment losses at January 1, 2016	**42,179**
Investments	6,364
Depreciation expense for the year	(8,794)
Impairment losses for the year (net of reversals)	5,050
Disposals and retirements	(254)
Reversals of depreciation during the period	-
Other	(9)
Net carrying amount after depreciation and impairment losses at December 31, 2016	**44,536**
Investments	38,177
Depreciation expense for the year	(7,759)
Impairment losses for the year (net of reversals)	2,147
Disposals and retirements	(171)
Reversals of depreciation during the period	-
Other	(4)
Net carrying amount after amortization and impairment losses at December 31, 2017	**76,926**

The increase in property, plant and equipment derived chiefly from construction of the Lead segment's new reduction furnace, which is included under non-current assets in progress. In 2017, 1.3 million euros of financial interests have been capitalised in work in progress according to IAS 23.

c) Subsidies related to property, plant and equipment

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.

d) Property, plant and equipment acquired under finance leases

In thousands of euros	Gross	Depreciation	Net
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
12/31/2010	1,656	(320)	1,336

Assets held under finance leases mainly comprise production equipment.

NOTE 4. INTANGIBLE ASSETS AND GOODWILL

Intangible assets and goodwill breakdown as follows:

a) Intangible assets and goodwill at December 31, 2016 and December 31, 2017

12/31/2016 *In thousands of euros*	Gross	Accumulated depreciation and impairment losses *	Net
Goodwill	-		-
Concessions, patents, licenses, etc.	8,336	(7,622)	714
Other intangible assets	-		-
Total	**8,336**	**(7,622)**	**714**

* *See Note 5*

12/31/2017 *In thousands of euros*	Gross	Accumulated depreciation and impairment losses *	Net
Goodwill	117	(117)	-
Concessions, patents, licenses, etc.	8,393	(8,327)	66
Other intangible assets	-		-
Total	**8,510**	**(8,444)**	**66**

* *See Note 5*

b) Change in intangible assets between January 1, 2016 and December 31, 2017

En milliers d'euros	Valeurs nettes
Net carrying amount after depreciation and impairment losses at January 1, 2016	**787**
Capital expenditures	14
Goodwill	-
Amortization expense for the year	(92)
Disposals	-
Other	5
Net carrying amount after amortization and impairment losses at December 31, 2016	**714**
Capital expenditures	58
Goodwill	-
Amortization expense for the year	(88)
Impairment loss	(623)
Disposals	-
Other	**5**
Net carrying amount after amortization and impairment losses at December 31, 2017	**66**

NOTE 5. IMPAIRMENT TESTS

Indications of impairment observed

In the course of the follow-up of the value of its assets, the Group has updated the impairment tests on certain CGU, which have a negative or a below expectations EBIT, despite the positive economic context. The CGUs are:

Lead segment

The Weser-Metall GmbH CGU (lead smelter) saw an improvement in its operating income before non-recurring items in 2017, although it remained negative. This CGU's earnings outlook has improved because a lead reduction furnace is due to come into service from June 2018.

Zinc segment - Zinc oxides

The Norzinco GmbH CGU in the zinc oxide segment saw an improvement in its operating income before non-recurring items in 2017. However, the Group takes the view that current commercial conditions do not enable this plant in its current industrial configuration to generate sufficient operating income before non-recurring items or cash flow to achieve a return on capital employed that at least equals its cost of capital.

Special Metals segment

The PPM Pure Metals GmbH CGU saw an improvement in operating income before non-recurring items, but it remained negative in 2017. The Group takes the view that current commercial conditions do not enable this plant in its current industrial configuration to generate sufficient operating income before non-recurring items or cash flow to achieve a return on capital employed that at least equals its cost of capital.

Impairment testing

As part of these tests, the Group has 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.

For the 2017 accounts closing, the Group used:

- value in use for the PPM Pure Metals GmbH CGU,
- fair value net of costs to sell for the Weser Metall GmbH and Norzinco GmbH CGUs taking into account scheduled and financed new productivity investments. To allow the Nordenham smelter to achieve sustained profitability, the Group has taken the strategic decision to install a new production facility to exploit the lead-rich by-products produced by the smelter. Similarly, to improve Norzinco GmbH's profitability, the Group has decided to invest in a mini-kiln to exploit zinc by-products that are currently not exploited. The financing for these production facilities are included in the overall financing obtained for the Group's German subsidiaries *(see Note 32)*.

Value in use

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, 2017 that rate was calculated to be 12.7% for the PPM Pure Metals GmbH CGU.

The weighted average cost of capital is calculated on the following basis:

- a risk-free rate of 0.8%, corresponding to the average 10-year Bund yield over a 5-year period,
- a sector beta of 1.06,
- a market risk premium of 6.9% based on a 5-year reference period,
- a size premium of 3.7%, relating to the cost of equity,
- a spread of 5.7% used to calculate the cost of debt,
- and a sector-average gearing figure for weighting the two components.

Fair value net of disposable costs

In accordance with IFRS 13 and in the absence of an active market for the two CGUs concerned (level 1 fair value input) or relevant listed peers (level 2 fair value input), the fair values of the Weser Metall GmbH and Norzinco GmbH CGUs were 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 used the method of discounting estimated future market cash flows over a period of eight years, to which a terminal value was added. 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 1.4% for the Weser-Metall GmbH CGU and 2.4% for the Norzinco GmbH CGU. At December 31, 2017, an independent expert calculated that rate to be 11.3% for the Weser-Metall GmbH CGU and 12.1% for the Norzinco GmbH CGU.

The calculation of the cost of capital applicable to fair value is based on:

- a risk-free rate of 0.3%, corresponding to the average 10-year OAT yield over a 2-year period,
- a 2-year economic asset beta of 0.96,
- a market risk premium of 6.77%,
- a size premium of 3.7%,
- a specific risk premium of 1.4% for Weser-Metall GmbH and 2.4% for Norzinco GmbH, to take account of uncertainties related to the implementation of additional new kilns, and
- a spread of 6.2% used to calculate the cost of debt.

Future market cash flows include, for the Weser-Metall GmbH CGU, the €40 million investment in the new reduction furnace and the additional EBITDA generated each year from its implementation, which is scheduled to take place in the second quarter of 2018. The plan to invest in the new reduction furnace was approved by the Board of Directors on June 18, 2015. Implementation risks are taken into account in the aforementioned specific risk premium.

Future market cash flows include, for the Norzinco GmbH CGU, €0.6 million of investment in a mini-kiln and the additional EBITDA generated each year. Implementation risks are taken into account in the aforementioned specific risk premium.

Impairment testing - results

Weser-Metall GmbH: since the recoverable amount of this CGU is higher than the carrying amounts of assets tested, the Group reversed €2.3 million of impairment losses.

PPM Pure Metals GmbH: since the recoverable amount of this CGU is lower than the carrying amounts of assets tested, the Group added €0.5 million to impairment losses.

Norzinco GmbH: since the recoverable amount of this CGU is lower than the carrying amounts of assets tested, the Group added €0.2 million to impairment losses.

Net carrying amounts at December 31, 2016 and December 31, 2017, after taking into account impairment losses on production assets tested and/or for which impairment had been recognized, break down as follows:

CGU *In millions of euros*	12/31/2017				12/31/2016	
	Gross value of production assets	Accumulated depreciation	Impairment losses	Net value	Gross value of production assets	Net value
Weser-Metall GmbH, Plomb	154.3	(99.2)	(5)	50.1	123.2	18.7
C2P GmbH, Plastiques	6.2	(5.2)	(1)	-	6.1	-
PPM Pure Metals GmbH, Métaux Spéciaux	42.4	(37.2)	(5.2)	-	42.2	0.9
Norzinco GmbH, Zinc	12	(8)	(4)	-	11.7	0.6
Total	**214.9**	**(149.86)**	**(15.2)**	**50.1**	**183.2**	**20.2**

Presentation of key assumptions used in determining recoverable amounts

The recoverable value of each CGU is determined by discounting future cash flows, using estimates that reflect the 2017 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:

- lead and zinc prices. The lead and zinc prices used in estimates are based on the forecasts of a base metal market panel of analysts. The Group uses 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 products and by-products;
- the perpetual growth rate to calculate terminal value;
- the 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 all CGUs in the following segments:

Operating segment	Perpetual growth rate	Average lead/zinc price (US dollar)		Average euro/US dollar exchange rate	
		Forecast period	Terminal value	Forecast period	Terminal value
Lead	1.5%	2,140	2,100	1.20	1.20
Zinc	1.5%	2,620	2,500	1.20	1.20

CGU-specific assumptions:

Operating segment	CGU	Valuation method	Growth in volumes processed	
			Average annual growth over the forecast period	Terminal value *
Lead	Weser-Metall GmbH a)	Market DCF	4.6%	1.5%
Zinc	Norzinco GmbH b)	Market DCF	-1.1%	1.5%
Special Metals	PPM Pure Metals GmbH c)	DCF	11.8%	1.5%

** Value used for the calculation of terminal value relative to the final forecast period.*

Sensitivity of recoverable amounts

In millions of euros for the impacts	Weser-Metall GmbH			Norzinco GmbH			PPM Pure Metals GmbH		
	Parameters	No sensitivity	Impact	Parameters	No sensitivity	Impact	Parameters	No sensitivity	Impact
To the lead/zinc price	USD 2,100	(USD 100)	(1.6)	USD 2,500	USD 100	(1.1)	N/A	N/A	N/A
To the euro/dollar exchange rate	1.2 €/$	0.05 €/$	(1.9)	1.2 €/$	(0.05) €/$	(1.2)	N/A	N/A	N/A
To the discount rate	11.3%	0.5%	(3.5)	12.1%	0.5%	(0.4)	12.7%	0.5%	(0.3)
To the normal EBITDA margin	4.1%	-0.5%	(8.4)	4.0%	-0.5%	(1.0)	7.7%	-0.5%	(0.4)

For the Weser–Metall GmbH CGU, the total impairment loss booked at the balance sheet would be increased by:

- €1.6 million with a lead price that was USD100 lower for the terminal value calculation,
- €1.9 million with a euro/dollar exchange rate that was 0.05 higher for the terminal value calculation,
- €3.5 million with a 0.5-point increase in the discount rate,
- €8.4 million with an EBITDA margin that was 0.5 points lower for the terminal value calculation.

For the Norzinco GmbH CGU, the total impairment loss booked at the balance sheet would be increased by:

- €1.1 million with a lead price that was USD100 higher for the terminal value calculation,
- €1.2 million with a euro/dollar exchange rate that was 0.05 lower for the terminal value calculation,
- €0.4 million with a 0.5-point increase in the discount rate, €1.0 million with an EBITDA margin that was 0.5 points lower for the terminal value calculation.

For the PPM Pure Metals GmbH CGU, the total impairment loss booked at the balance sheet would be increased by:

- €0.3 million with a 0.5-point increase in the discount rate,
- €0.4 million with an EBITDA margin that was 0.5 points lower for the terminal value calculation.

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	12/31/2017	12/31/2016
Available-for-sale financial assets	93,636	93,636
Loans and advances to investee companies	150,608	150,608
Loans	399	1,582
Other financial assets	125	125
Financial assets before impairment	**244,768**	**245,951**
Impairment	(244,710)	(244,639)
Non-current financial assets	**58**	**1,312**

Available-for-sale financial assets primarily comprise investments in unconsolidated subsidiaries in which the Group owns an interest of over 50%. The main characteristics of these companies are presented in the table below:

In thousands of euros	Registered offices	Net carrying amount of securities at 12/31/2017	Net carrying amount of securities at 12/31/2016
Metaleurop Nord S.A.S.	Paris	59,510	59,510
Metaleurop International Finance	Amsterdam	253	253
Peñarroya Espagne	Cartagena	33,872	33,872
ME Trade España	Madrid		
Peñarroya Utah	State of Utah	1	1
Gross value of available-for-sale financial assets		**93,636**	**93,636**
Impairment losses		(93,636)	(93,636)
Net value of available-for-sale financial assets		**-**	**-**

Metaleurop Nord S.A.S. and Peñarroya Espagne are in court-ordered liquidation, and were not consolidated at December 31, 2017 in accordance with IAS 27-21. The corresponding shares were fully written down.

Loans and advances to these investments, in an amount of €150,608,000, were written off in full.

NOTE 7. OTHER NON-CURRENT ASSETS AND INVESTMENTS IN ASSOCIATES

Other non-current assets

Other non-current financial assets (€2,726,000) mainly comprise the remaining balance of funds initially received by Harz-Metall GmbH in the amount of €5 million following the agreement reached with TUI AG in 2009.

These funds are intended for the future rehabilitation 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 amortization and impairment losses at December 31, 2016	**9,713**
Dividend payments	(6,000)
Income for the period	10,558
Others including currency effects	15
Net carrying amount after amortization and impairment losses at December 31, 2017	**14,286**

The breakdown of assets and liabilities in associate undertakings is as follows (data for 100%):

In thousands of euros	12/31/2017	12/31/2016
Property, plant and equipment	7,027	6,930
Intangible assets	188	330
Financial assets	233	186
Deferred tax assets	201	124
Inventories	876	999
Trade receivables	8,488	7,630
Other current assets including current income tax assets	1,501	629
Cash and cash equivalents	19,623	9,293
Total assets	**38,137**	**26,121**
Total equity	28,589	19,476
Provisions	-	-
Trade payables	2,625	2,662
Other current liabilities including current income tax liabilities	6,923	3,983
Total liabilities	**38,137**	**26,121**

The breakdown of income at associate undertakings is as follows (data for 100%):

In thousands of euros	12/31/2017	12/31/2016
Sales of goods and services	52,499	37,660
Current operating expense	(21,299)	(18,603)
Operating income	**31,200**	**18,718**
Net financial income	11	6
Income taxes	(10,095)	(6,658)
Net income	**21,116**	**12,065**

NOTE 8. INVENTORIES

Inventories held by the Group break down as follows:

In thousands of euros	12/31/2017	12/31/2016
Raw materials	19,135	17,514
Work in progress	20,673	13,321
Finished and semi-finished goods	9,342	7,296
Sub-total	**49,150**	**38,131**
Less: Impairment losses	(1,713)	(2,098)
Net value of inventories and work in progress	**47,437**	**36,033**

The increase in the value of inventories is due mainly to a volume effect (higher business levels) along with a price effect (higher raw materials prices).

NOTE 9. TRADE RECEIVABLES

Trade receivables break down as follows:

In thousands of euros	12/31/2017	12/31/2016
Trade receivables*	34,607	28,508
Impairment provisions	(3,442)	(3,449)
Net value of trade receivables	**31,165**	**25,059**

** At December 31, 2017, only receivables not yet due on the balance sheet date under recourse factoring agreements were recognized as trade receivables in accordance with IAS 39. The amount derecognized, corresponding to non-recourse factoring agreements, was €21,906,000. At December 31, 2016, the amount derecognized corresponding to non-recourse factoring agreements was €25,819,000.*

The increase in trade receivables is due mainly to a volume effect (higher business levels) along with a price effect (higher 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	31/12/2017	31/12/2016
Advances and downpayments on orders in progress*	1,987	1,314
Social security receivables	57	37
Tax receivables	3,902	3,904
Other receivables	3,846	2,701
Prepaid expenses	308	225
Total other current assets	**10,100**	**8,181**

** Advances and downpayments concern mainly downpayments made to suppliers of raw materials..*

NOTE 11. CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents include:

In thousands of euros	31/12/2017	31/12/2016
Cash at bank and in hand	5,283	6,161
Other marketable securities	263	11
Gross cash assets	**5,546**	**6,172**
Short-term bank borrowings	15,000	13,205
Total net cash and cash equivalents on cash flow statement	**(9,454)**	**(7,032)**

Short-term bank borrowings concern primarily Recylex GmbH, which has used its credit lines to finance businesses in Germany. At December 31, 2017, the Group no longer had any undrawn available credit lines for which drawdown conditions were satisfied, as opposed to €1,526,000 at December 31, 2016.

Regarding changes in the cash and cash equivalent position at the Recylex S.A. parent company, please see Note 1 and Note 32 on liquidity risk.

NOTE 12. ISSUED CAPITAL AND RESERVES

Share capital and additional paid-in capital

The share capital amounted to €9,435,178 and comprised 25,500,482 fully paid-up shares with par value of €0.37 each at December 31, 2017.

The Combined General Meeting of July 11, 2017 (twelfth resolution), given the losses recorded in the Company's financial statements for the period ended December 31, 2016 that reduced equity to below half the Company's share capital, resolved, pursuant to Article L. 225-248 of the Commercial Code, not to wind the Company up early and to continue pursuing the Company's activities. Following decisions taken by the same meeting (thirteenth resolution) and by the Board of Directors in its July 11, 2017 meeting, to cover a proportion of previous losses, the Company's share capital was reduced by €23,929,533 by reducing the par value of the 25,188,982 existing shares from €1.32 to €0.37 each.

In its March 16, 2018 meeting, the Company's Board of Directors noted the completion of an increase in the Company's share capital in an nominal amount of €115,255, taking the Company's share capital from €9,319,923 to €9,435,178 (i.e. 25,500,482 shares with par value of €0.37 each, fully paid up and of the same category) through the issue of 311,500 new ordinary shares, because of (i) the exercise of 265,000 warrants between July 11, 2017 and December 31, 2017 in relation to the equity line and (ii) the issue of 46,500 new shares between July 11, 2017 and December 31, 2017 through the exercise of stock options.

Ordinary shares in issue and fully paid-up	Number of shares	Par value *In euros*	Share capital *In thousands of euros*	Share premiums *In thousands of euros*
At January 1, 2017	24,110,982	1.32	31,826	869
Issue of new shares (equity line)	975,000	1.32	1,287	3,087
Issue of new shares (exercise of stock options)	103,000	1.32	136	451
At June 30, 2017	**25,188,982**	**1.32**	**33,250**	**4,407**
At July 11, 2017	25,188,982	0.37	9,320	4,407
Issue of new shares (equity line)	265,000	0.37	98	2,448
Issue of new shares (exercise of stock options)	46,500	0.37	17	248
At December 31, 2017	**25,500,482**	**0.37**	**9,435**	**7,103**

Equity financing line

Drawings in 2017 on the equity line arranged with Kepler Cheuvreux in December 2016 generated net cash flow of €6.9 million through the issue of 1,240,000 new shares in 2017.

Recylex S.A.'s objective is to increase the cover 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 S.A. has undertaken 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 will be issued on the basis of the weighted average share price preceding each issue, minus a maximum discount of 6.5%. At December 31, 2017, there remained 1,160,000 warrants to be exercised.

Assuming that the equity line is used in full, a shareholder owning 1.0% of Recylex S.A.'s capital before the equity line was set up on December 29, 2016 would see its stake fall to 0.91% on a non-diluted basis.

Treasury shares

At December 31, 2017, Recylex S.A. 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.

	12/31/2017	12/31/2016
Number of treasury shares	23,939	23,939
Value of treasury shares *In thousands of euros*	163	163

Stock options

On September 26, 2008, Recylex S.A.'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 stock option plans in force at December 31, 2017 and likely to give rise to the creation of shares through the exercise of options are as follows:

Date of 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, 2017, all stock options were fully vested and the maximum number of new shares that could be issued under those stock options was as follows:

Date of grant	Number of options outstanding at 12/31/2016	Number of options cancelled during the period	Number of options exercised during the period	Number of options lapsed during the period	Number of options outstanding at 12/31/2017	Exercise price *(in euros)*	Plan expiry
09/26/2008	445,000	-	149,500	30,000	265,500	5.70	09/26/2018
Total	**445,000**	**-**	**149,500**	**30,000**	**265,500**	**5.70**	

The deadline for exercising the stock options granted is September 26, 2018.

NOTE 13. INTEREST-BEARING BORROWINGS

Analysis of borrowings

a) Current portion of borrowings and other debts

In thousands of euros	12/31/2017	12/31/2016
Portion due in less than one year	22,070	14,543
Lease debts	255	273
Undertaking to buy out non-controlling interests	-	-
Total	**22,325**	**14,816**

The portion due in less than one year at December 31, 2017 included €15,000,000 short-term bank borrowings (versus €13,205,000 at December 31, 2016).

b) Non-current borrowings and debt

In thousands of euros	12/31/2017	12/31/2016
Portion due in more than one year	42,214	9,483
Lease debts		252
Total	**42,214**	**9,735**

At December 31, 2017, the Group had used €32.2 million of the new borrowings arranged in December 2016 to finance investments by the German subsidiaries, including €26.2 million due to be repaid in more than one year.

The Group also drew €7.5 million on the loan facility granted by Glencore International AG. Loans under that facility now total €16 million and are due to be repaid in 2024.

Repayment schedule of non-current borrowingss

	12/31/2017			12/31/2016
In thousands of euros	One to five years	Over five years	Total	
Bank borrowings	26,214	16,000	42,214	9,483
Lease debts	-	-	-	252
Interest-bearing borrowings	**26,214**	**16,000**	**42,214**	**9,735**

NOTE 14. PROVISIONS

Current and non-current provisions can be analyzed as follows:

a) Provisions at December 31, 2017 and December 31, 2016

In thousands of euros	12/31/2017	12/31/2016
Current provisions		
Environmental provisions	5,385	8,199
Litigation	4,830	8,210
Restructuring		398
Other risks and charges	95	120
Sub-total	**10,310**	**16,927**
Non-current provisions		
Environmental provisions	18,768	15,850
Litigation		4,270
Restructuring	8	141
Other risks and charges	20	27,009
Sub-total	**18,796**	**47,270**
Total provisions	**29,106**	**64,197**

Environmental provisions are described in detail in Note 38, pension liabilities in Note 15 and provisions for litigation in Note 1.

b) Changes in provisions during 2017

In thousands of euros	Balance at 12/31/2016	Increases in the period	Discounting	Reclassification	Reversal of provisions used	Reversal of provisions not used	Balance at 12/31/2017
Environmental provisions *(note 38)*	24,049	1,962	(175)	-	(1,252)	(431)	24,153
Litigation	12,480	110	-	-	(7,760)	-	4,830
Restructuring	539	-	-	-	(254)	(277)	8
Other risks and charges	27,129	1	-	2	(26,750)	(267)	115
Total provisions	**64,197**	**2,073**	**(175)**	**2**	**(36,016)**	**(975)**	**29,106**

In accordance with IAS 37, provisions have been discounted. Additions to environmental provisions for the year included provisions related to the remediation of the L'Estaque site *(see Note 38)*.

On January 31, 2017, the Douai Appeal Court ordered Recylex S.A. to pay €7,760,000 in damages and costs to 187 former employees of Metaleurop Nord S.A.S. following their damages claims for dismissal without fair cause, which began in 2010.

The related risk had been fully provisioned at December 31, 2016.

At December 31, 2017, €4,720,000 of provisions were set aside mainly in relation to damages claims for anxiety brought by 546 former employees of Metaleurop Nord S.A.S., of which 91 are part of the aforementioned 187 former employees *(Note 1)*.

On February 8, 2017, the European Commission handed down a €26,739,000 fine to the Group in respect of its enquiry that began in 2012 into anti-competitive practices in the purchasing of scrap batteries *(Note 1)*. That fine had been fully covered by provisions for other risks and charges at December 31, 2016.

Under the agreement formed in May 2017 with the European Commission and the Group's financial partners regarding the staggered payment of this fine, the liability is now shown under other current and non-current liabilities *(see Notes 17 and 18)*.

NOTE 15. PENSION AND POST-RETIREMENT OBLIGATIONS

Provisions for pension and other post-retirement benefits break down into non-current and current portions as follows:

a) Provisions at December 31, 2017 and December 31, 2016

	12/31/2017	12/31/2016
Post-employment benefits - Current obligations	2,139	2,275
Post-employment benefits - Non-current obligations	32,750	34,994
Post-employment benefits - Obligations	**34,889**	**37,269**

b) Changes in provisions during 2017

In thousands of euros	Balance at 12/31/2016	Additions/Reversals	Actuarial gains and losses	Contribution to plan assets	Balance at 12/31/2017
Post-employment benefits - Pension obligations	37,268	(1,018)	(1,553)	192	34,889

Defined benefit plans

Change in plan assets and liabilities

Changes in defined-benefit plan obligations by geographical area in 2017 and 2016 break down as follows.

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 expense	637	5	642
Actuarial losses/(gains)	(2,416)	112	(2,304)
Benefits paid	(2,040)	(17)	(2,057)
Actuarial liability at 12/31/2017	**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

FY 2016 *In thousands of euros*	Germany	France	Total
Change in benefit obligations			
Actuarial liability at 01/01/2016	40,993	397	41,390
Current service cost during the financial year	360	13	374
Interest expense	798	8	805
Actuarial losses/(gains)	1,746	(53)	1,693
Benefits paid	(2,122)	(29)	(2,151)
Actuarial liability at 12/31/2016	**41,775**	**337**	**42,112**
Change in plan assets			
Plan assets at 01/01/2016	(4,564)	-	(4,564)
Interest income	(91)	-	(91)
Actuarial losses/(gains)	2	-	2
Contributions	(317)	-	(317)
Benefits paid	126	-	126
Plan assets at 12/31/2016	**(4,844)**	**-**	**(4,844)**
Liabilities recognized on the balance sheet	**36,931**	**337**	**37,268**
Of which due in less than 1 year	2,174	101	2,275

The German plans are covered by financial assets. Assets consist of an insurance policy that covers part of the employer's liability.

Estimated contributions to be paid in 2018 amount to approximately €290,000.

Annual benefits payments between 2017 and 2022 are of the order of €2,100,000. Payments due after 2022 total around €52,000,000.

Analysis of actuarial gains and losses

In accordance with 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 2017			
Losses/(gains) resulting from changes in actuarial assumptions (thousands of euros)	(527)	(4)	(530)
(in %)	-1%	-1%	-1%
Demographic assumptions	-	-	-
Financial assumptions	*(527)*	*(4)*	*(530)*
Experience losses/(gains)	(1,889)	116	(1,773)
(in %)	-5%	24%	-4%
Actuarial losses/(gains) generated on obligations	(2,416)	112	(2,304)
Actuarial losses/(gains) generated on assets	751	-	751
Losses/(gains) generated over the period	**(1,665)**	**112**	**(1,553)**

Change in provisions

Amounts recognized on the balance sheet in 2017 and 2016 changed as follows:

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 expense	*637*	*5*	*642*
Expected return on plan assets	*(75)*	-	*(75)*
OCI (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 12/31/2017	**34,426**	**461**	**34,887**

2016 *In thousands of euros*	Germany	France	Total
Provisions/assets at 01/01/2016	36,429	397	36,826
Net cost for the period	1,066	21	1,088
Current service cost during the financial year	*360*	*13*	*374*
Interest expense	*798*	*8*	*805*
Expected return on plan assets	*(91)*	-	*(91)*
OCI (actuarial gains and losses arising)	1,748	(53)	1,695
Benefits paid	(1,996)	(29)	(2,025)
Contributions paid by the employer	(317)	-	(317)
Provisions/assets at 12/31/2016	**36,931**	**337**	**37,268**

Historical data

The benefit obligation and plan assets at the end of the past five financial years are shown below:

GERMANY *In thousands of euros*	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017
Total current value of benefit obligations at the end of the financial year	37,942	43,748	40,993	41,775	38,383
Fair value of plan assets at the end of the financial year	(4,570)	(4,921)	(4,564)	(4,844)	(3,956)
Coverage of benefit obligations	**33,372**	**38,827**	**36,429**	**36,931**	**34,426**

FRANCE *In thousands of euros*	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017
Total current value of benefit obligations at the end of the financial year	389	460	397	337	461
Market value of plan assets at the end of the financial year	-	-	-	-	-
Coverage of benefit obligations	**389**	**460**	**397**	**337**	**461**

Actuarial assumptions

The assumptions underpinning measurements at the 2016 and 2017 balance sheet dates are presented below:

	Germany		France	
In thousands of euros	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Discount rate	1.65%	1.55%	1.65%	1.55%
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	(1,277)	1,354	(4,694)	5,937
Charge	63	(57)	212	(276)

Other sensitivities calculated for the obligation

In thousands of euros	+0.25%	-0.25%
Rate of salary increase	64	(62)
Rate of pension increase	1,042	(997)

Employees and duration

The average durations of the main plans and the number of employees covered by them were as follows at December 31, 2017:

In thousands of euros	Germany	France	Total
Active	357	66	423
Deferred	114	-	114
Retired	585	1	586
Total employees	**1,056**	**67**	**1,123**
Average duration	**14**	**10**	**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 €64,500 for 2017, paid by C2P France and Recylex S.A. Since FMM S.A. in Belgium no longer has any employees, it no longer makes any contributions. The contributions expensed in prior years for the supplementary pensions break down as follows:

Year	Contribution *In thousands of euros*
2017	64.5
2016	55.3
2015	47.8
2014	50.6
2013	114.2
2012	93.1
2011	33.1
2010	29.3
2009	20.1

NOTE 16. TRADE PAYABLES

The Group's trade payables break down as follows:

In thousands of euros	12/31/2017	12/31/2016
Trade payables	31,926	35,181
Total trade payables	**31,926**	**35,181**

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	12/31/2017	12/31/2016
Rescheduled liabilities under the continuation plan *(Note 18)*		
Tax and employee-related liabilities	6,261	5,600
Liabilities related to non-current assets	60	21
Other liabilities	3,107	3,327
Prepaid income		6
Total	**9,428**	**8,954**

NOTE 18. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities break down as follows:

Non-current liabilities (by maturity)	12/31/2017			12/31/2016
In thousands of euros	One to five years	Over five years	Total	Total
Non-current rescheduled liabilities after discounting*	-	4,696	4,696	5050
Clawback clause	-	3,545	3,545	3649
European Commission fine	3,026	22,379	25,405	
Total	**3,026**	**30,620**	**33,646**	**8,699**

** Debt 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, 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 is not reformulated prior to its expiry (on November 24, 2015). This clause provides that from and including December 31, 2015, Recylex S.A. will allocate 20% of its cash at December 31 of each financial year to repayment of the waived debt on a pari passu basis between the creditors who have requested the clawback provision, 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 S.A.'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. Probable repayments under the clawback clause from December 31, 2016 have been calculated on the basis of the Business Plan drawn up by the Company and normalized cash flows thereafter. It should be noted that given the limited variation in the Business Plan and more particularly 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. This clawback clause provision is recognized in the balance sheet under "Other non-current liabilities" *(see Note 27)*. At December 31, 2016, the Group carried out a further full valuation of the clawback, which amounted to €3,649,000. This amount was not updated at December 31, 2017.

18.2. 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 enquiry that started in 2012 regarding anti-competitive practices in the purchasing of scrap lead car batteries. In 2016, the Company and its subsidiaries involved in this procedure received requests for additional information from the European Commission, to which they responded within the specified timeframes.

On February 8, 2017, the European Commission fined Recylex S.A. and its subsidiaries active in the purchasing of scrap lead car batteries €26.7 million for anti-competitive, this amount including 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. Recylex and its concerned subsidiaries have decided to appeal against this decision.

During the second quarter of 2017, after discussions involving all the relevant parties, the European Commission agreed to the payment plan proposed by Recylex S.A., which notably includes the payment of the fine by Recylex S.A. (the Group's parent company) and the deferral, on a medium-long term basis, of the payment of a major part of the fine. Under that agreement, the terms of which are confidential, Recylex S.A. is paying the fine (principal and interest) according to the timetable set out in the 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 in terms of allocation of 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 S.A.) 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 French plant operated by 50%-owned Recytech S.A.) 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 S.A.S. 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 S.A., 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 additions 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 essential to the plant's operations. 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)[3] 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 segment.

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.

Moreover, the Group has decided to present income statement items concerning the Zinc segment in accordance with the data analyzed in internal segment reporting, by continuing to use proportional consolidation for its holding in Recytech S.A. Segment information on the balance sheet 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.

[3] *IAS 2 requires inventories to be measured using the average weighted cost (AWC) method or the first in, first out (FIFO) method.*

FINANCIAL YEAR ENDED DECEMBER 31, 2017

In thousands of euros	Lead	Zinc	Special Metals	Plastics	Other businesses	Elimina-tions	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 application 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 and impairment losses (LIFO)	(4,907)	(2,914)	159	(404)	(317)		(8,383)
Restatement following application 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 application 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 from equity affiliates							10,558
Reported net income (IFRS)							**17,989**

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*	27,562	10,824	7,026	2,024	-	47,437
Trade receivables	17,385	10,165	1,328	2,272	15	31,165
Total 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 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
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 expenses	2,117	(1,001)	377	(18)	(117)	1,358
Depreciation, amortization and additions to provisions	**(1,918)**	**(3,599)**	**(332)**	**(502)**	**(225)**	**(6,576)**

** Inventories in the Lead segment, measured using the LIFO method, totaled €27,594,000 at December 31, 2017 versus €27,562,000 under IFRSs (AWC).*

FINANCIAL YEAR ENDED DECEMBER 31, 2016

In thousands of euros	Lead	Zinc	Special Metals	Plastics	Other businesses	Elimina-tions	Total
Sales to external customers	278,305	73,243	14,964	15,527	25		**382,064**
Inter-segment sales	4,211	677	103	1,723		(6,714)	
Total sales (IFRS)	**282,516**	**73,920**	**15,067**	**17,250**	**25**	**(6,714)**	**382,064**
Restatement following application of IFRS 10 & 11		18,830					18,830
Total sales restated under IFRS 10 & 11	**282,516**	**92,750**	**15,067**	**17,250**	**25**	**(6,714)**	**400,894**
EBITDA (IFRS)	**8,572**	**9,416**	**(1,460)**	**594**	**(7,796)**		**9,326**
Restatement following application of IFRS 10 & 11		10,512					10,512
AWC - LIFO adjustment	(516)						(516)
EBITDA restated for LIFO and IFRS 10 & 11	**8,056**	**19,928**	**(1,460)**	**594**	**(7,796)**		**19,322**
Depreciation, amortization and impairment losses (LIFO)	(4,827)	(2,464)	(1,816)	(312)	(3)		(9,422)
Restatement following application of IFRS 10 & 11		(860)					(860)
Operating income before non-recurring items restated for LIFO and IFRS 10 & 11	**3,229**	**16,604**	**(3,276)**	**282**	**(7,799)**		**9,040**
LIFO - AWC adjustment	516						516
Restatement following application of IFRS 10 & 11		(9,652)					(9,652)
Operating income before non-recurring items (IFRS)	**3,745**	**6,952**	**(3,276)**	**281**	**(7,799)**		**(94)**
Other non-recurring operating income/(expense)							(20,168)
Net financial income							(882)
Income tax benefit/(expense)							5,033
Share in income from equity affiliates							6,033
Reported net income (IFRS)							**(10,079)**

Main balance-sheet items

In thousands of euros	Lead	Zinc	Special Metals	Plastics	Other businesses	Total
Intangible assets	46	1	667	-	-	714
Property, plant and equipment	27,305	11,017	753	2,784	2,677	44,536
Inventories*	18,237	8,833	6,938	2,025	-	36,033
Trade receivables	15,599	6,069	964	2,386	41	25,059
Total assets	**61,187**	**25,919**	**9,322**	**7,195**	**2,718**	**106,342**
Provisions and pension liabilities	49,014	3,357	3,640	181	45,274	101,467
Trade payables	25,735	4,578	770	967	3,131	35,181
Other current liabilities	3,195	1,781	713	482	2,784	8,954
Total liabilities	**77,943**	**9,716**	**5,123**	**1,630**	**51,189**	**145,601**
Investments in property, plant and equipment	3,443	2,378	367	159	17	6,364
Investments in intangible assets	14	-	-	-	-	14
Capital expenditures	**3,457**	**2,378**	**367**	**159**	**17**	**6,378**
Property, plant and equipment	(4,887)	(2,673)	(676)	(403)	(113)	(8,753)
Intangible assets	(45)	(2)	(44)	(1)	-	(92)
Other non-cash expenses	707	1,564	(1,815)	49	(20,015)	(19,510)
Depreciation, amortization and additions to provisions	**(4,225)**	**(1,112)**	**(2,535)**	**(355)**	**(20,128)**	**(28,355)**

** Inventories in the Lead segment, measured using the LIFO method, totaled €27,594,000 at December 31, 2017 versus €27,562,000 under IFRSs (AWC).*

Geographical zones

The items below are broken down as follows: sales are broken down by customer marketing area, while 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 pension plan assets.

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
Investment (property, plant and equipment and intangible assets)	1,270	36,907	-	38,177
Non-current assets excluding tax and financial assets		58		58

Financial year ended December 31, 2016

SALES *In thousands of euros*	Western Europe	Rest of Europe	Americas	Rest of the world	Total
Total sales	315,392	60,323	1,193	5,156	382,064

In thousands of euros	France	Germany	Belgium	Total
Investment (property, plant and equipment and intangible assets)	766	5,595	4	6,364
Non-current assets excluding tax and financial assets		14		14

Structure of sales

In 2017, 93% of sales in the Lead segment were to eight customers. Sales in the other operating segments, particularly Zinc, come from a large number of customers.
In 2017, 69% of the Group's total consolidated sales were to ten customers. One of these customers accounted for 30% of the Group's total sales in 2017.

NOTE 20. EXTERNAL COSTS

External costs break down as follows:

In thousands of euros	12/31/2017	12/31/2016
General sub-contracting	(12,602)	(13,382)
Maintenance and repairs	(9,979)	(6,979)
Insurance premiums	(1,606)	(1,406)
Goods transportation and public transportation	(11,380)	(12,031)
Leasing, rental and service charges	(1,874)	(2,214)
Fees and external labor costs	(3,705)	(2,897)
Travel and entertainment expenses	(629)	(445)
Other external expenses	(1,546)	(2,227)
Total external costs	**(43,321)**	**(41,581)**

NOTE 21. STAFF COSTS

The average Group headcount on an FTE basis was as follows:

In thousands of euros	12/31/2017	12/31/2016
France	62	63
Germany	554	553
Total FTE employees	**616**	**616**

Staff costs break down as follows:

In thousands of euros	12/31/2017	12/31/2016
Wages and benefits	(35,620)	(34,655)
Employer payroll taxes	(9,273)	(9,332)
Total staff costs	**(44,893)**	**(43,987)**

NOTE 22. RESEARCH AND DEVELOPMENT COSTS

Research and development costs expensed directly in income amounted to:

In thousands of euros	31/12/2017	31/12/2016
Research and development costs	(456)	(339)

NOTE 23. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

Depreciation, amortization and impairment losses recognized in 2017 and 2016 break down as follows:

In thousands of euros	12/31/2017	12/31/2016
Depreciation of property, plant and equipment	(7,716)	(8,753)
Amortization of intangible assets	(176)	(92)
Provisions and impairment losses	(491)	(576)
Total depreciation, amortization and impairment losses	**(8,383)**	**(9,421)**

NOTE 24. OTHER OPERATING INCOME AND EXPENSE

Other operating income and expense breaks down as follows:

In thousands of euros	12/31/2017	12/31/2016
Operating subsidies	318	-
Other income and expense	1,391	1,343
Total other operating income and expense	**1,709**	**1,343**

NOTE 25. OTHER NON-RECURRING OPERATING INCOME AND EXPENSE

This item includes income and expense that is unusual in frequency, nature or amount.

In thousands of euros	12/31/2017	12/31/2016
Additions to/reversals of provisions and additional costs incurred at the L'Estaque plant, former mines and other closed sites*	(940)	(204)
Additions to/reversals of provisions against Labor Court rulings**	(598)	2,229
Impairment of assets at PPM Pure Metals GmbH***	(536)	(750)
Additions to/reversals of provisions for impairment of assets at Recylex S.A.***	-	4,000
Additions to/reversals of provisions for impairment of assets at Norzinco GmbH***	(153)	900
Additions to/reversals of provisions for impairment of assets at Weser-Metall GmbH***	2,300	900
Impairment of Recylex S.A. financial guarantees	(70)	(70)
Additions to/reversals of provisions for the European Commission fine	-	(26,739)
Net proceeds from the sale of the FMM S.A. site****	1,250	-
Reversal of provisions linked to the closure of FMM S.A.'s smelter****	310	
Other income and expenses	19	(434)
Other non-recurring operating income and expense	**1,582**	**(20,168)**

** See Note 14 and Note 38. ** See Note 14. *** See Note 5. *****This derived from the sale for €1.2 million of FMM S.A.'s site in Belgium and the reversal of €0.3 million of the provision for impairment of FMM S.A.'s current account in Recylex S.A.'s financial statements.*

NOTE 26. NET INTEREST EXPENSE

Interest expense on net debt breaks down as follows:

In thousands of euros	12/31/2017	12/31/2016
Interest income from cash and cash equivalents	37	27
Interest expense on bank and non-bank borrowings and bank overdrafts	(6,197)	(4,938)
Net interest expense	**(6,160)**	**(4,911)**

The increase in interest paid resulted from all credit facilities being used in Germany, along with the financial costs related to the Weser-Metall GmbH subsidiary's tolling contract.

NOTE 27. OTHER FINANCIAL INCOME AND EXPENSE

In thousands of euros	12/31/2017	12/31/2016
Net foreign exchange gains and losses	(634)	(606)
Impact of discounting provisions and liabilities	530	(309)
Factoring costs	(1,327)	(1,065)
Clawback clause *(Note 18.2)*	-	2,621
Miscellaneous financial income and expense	(2,375)	3,388
Total other financial income and expense	**(3,806)**	**4,029**

The financial gain linked to the discounting of provisions and liabilities derived chiefly from the rescheduling of the financial liability vis-a-vis Glencore International AG *(Note 6.11)*. Other financial income and expense relates primarily to the reversal of the provision for accrued income recognized at December 31, 2016 on derivatives not designated as hedges as defined by IAS 39 *(Note 33)*.

Foreign-exchange losses were related to fluctuations in the dollar, as certain debts of the German subsidiaries are denominated in dollars.

NOTE 28. INCOME TAXES

Income tax expense for the financial years ended December 31, 2016 and December 31, 2017 principally comprises the following items:

In thousands of euros	12/31/2017	12/31/2016
Current income tax benefit/(expense)	(482)	95
Current income tax benefit/(expense)	**(482)**	**95**
Arising from the creation and reversal of temporary differences	345	(838)
Related to tax loss carryforwards	1,385	5,775
Deferred income tax benefit/(expense)	**1,730**	**4,937**
Consolidated income tax expense	**1,248**	**5,033**

The deferred income tax benefit relates primarily to the recognition of tax losses at the German businesses.

Reconciliation between actual tax and theoretical tax expenses

In thousands of euros	12/31/2017	12/31/2016
Net income before tax and share of income of affiliates	6,189	(21,145)
Group tax rate	33.33%	33.33%
Theoretical tax charge	**(2,063)**	**7,048**
Increase or decrease in income tax expense resulting from:		
use of unrecognized previous tax losses and non-recognition of tax loss carryforwards as assets	(335)	4,870
taxes at reduced rates	(45)	(718)
unrecognized deferred tax	3,955	2,664
*other differences**	(264)	(8,831)
Actual tax expense	**1,248**	**5,033**

** At December 31, 2016, other differences mainly comprised the theoretical tax charge relating to the European Commission fine.*

Deferred tax assets and liabilities

In thousands of euros	12/31/2017	12/31/2016
Deferred tax assets		
Provisions added back for tax purposes		
Additional provision for employee benefits	6,164	6,745
Additional provision for impairment of non-current assets	-	-
Discounting of provisions and liabilities	36	624
Hedging derivatives	-	-
Other temporary differences	612	462
Tax loss carryforwards	7,160	5,775
Offsetting of deferred tax assets and liabilities at the same taxable entity	(2,299)	(3,159)
Total	**11,673**	**10,446**
Deferred tax liabilities		
Restatement of expected useful life of non-current assets	(1,245)	(1,674)
Difference in inventory valuation method at German units	(745)	(427)
Discounting of provisions and liabilities	-	-
Hedging derivatives	-	(688)
Other temporary differences	(309)	(370)
Offsetting of deferred tax assets and liabilities at the same taxable entity	2,299	3,159
Total	**-**	**-**
Net deferred taxes	**11,673**	**10,446**

Temporary differences and tax loss carry forward are limited to three years.

At December 31, 2017, the Group recognized deferred tax assets arising on tax loss carry forward. which amounted to €7.2 million as opposed to €5.8 million at December 31, 2016.

The Group holds tax losses that may be carried forward indefinitely against the future taxable income of companies that generated these losses.

Those tax losses are as follows:

- €156 million at French units,
- €86 million with respect to corporate tax at German subsidiaries,
- €52 million with respect to trade tax at German subsidiaries.

NOTE 29. EARNINGS PER SHARE

The following table shows details about the earnings and numbers of shares used to calculate basic and diluted earnings per share for all operations.

Earnings per share for all operations

	12/31/2017	12/31/2016
Net income attributable to equity holders of the parent *(in thousands of euros)*	17,989	(10,079)
Weighted average number of ordinary shares used to calculate basic earnings per share	24,854,124	24,087,043
Earnings per share (in euros)	**0.72**	**(0.42)**
Net income attributable to equity holders of the parent *(in thousands of euros)*	17,989	(10,079)
Weighted average number of ordinary shares used to calculate basic earnings per share	24,854,124	24,087,043
Weighted average number of stock options (with dilutive impact)	367,097	445,000
Weighted average number of ordinary shares adjusted for diluted earnings per share	25,221,221	24,532,043
Résultat net dilué en euros par action	**0.71**	**(0.41)**

NOTE 30. COMMITMENTS AND CONTINGENCIES

Commitments under operating leases

The Group has entered into operating leases covering certain motor vehicles, machinery and buildings. The minimum future rental payments due under these operating leases, which may not be terminated, are as follows:

	12/31/2017			12/31/2016		
In thousands of euros	Less than 1 year	1 to 5 years	Over 5 years	Less than1 year	1 to 5 years	Over 5 years
Buildings	245	113	-	242	92	-
Other	804	1,210	-	519	806	-
Total	**1,049**	**1,323**	**-**	**761**	**898**	**-**

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 €1,414,000 at December 31, 2017 and €1,623,000 at December 31, 2016.

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	12/31/2017	12/31/2016
Minimum payments due in less than one year	255	283
Minimum payments due in more than one year but less than five years	-	543
Minimum payments due in more than five years		
Total minimum payments under finance leases	255	826
Less amounts representing interest expense		
Present value of minimum payments under leases	**255**	**826**

Investment commitments

At December 31, 2017, the Group had no commitments arising from the forward sale or purchase of currencies.

Commitments arising from the purchase and sale of futures

At December 31, 2017, the Group had no commitments arising from the forward sale or purchase of currencies.

Commitments given and received

At December 31, 2017, commitments given and received by Group companies were as follows:

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 have been 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 exert and benefit from their shareholder rights as long as the borrowers do not breach their obligations. From the accounting point of view, 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 S.A.'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 S.A.'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 has been suspended for the duration of the Loan;
- Recylex S.A. had granted a senior pledge of its shares in Recytech S.A. 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 S.A. granted a second-ranking charge over its shares in Recytech S.A. to Glencore International AG in order to guarantee Recylex S.A.'s obligations with respect to the aforementioned clawback clause;
- in line with the requirements for the award of the Loan, Recylex S.A. has entered into:
  - an agreement pursuant to which it has undertaken for a period expiring 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, 2016);
  - a loan agreement under which Recylex S.A. has lent €10.7 million to Weser-Metall GmbH for the full term of the Loan; and
  - a receivables subordination agreement between 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;
- Recylex GmbH, Harz-Metall GmbH, Weser-Metall GmbH, PPM Pure Metals GmbH, Norzinco GmbH, Recylex Grundstucksverwaltungs GmbH and C2P GmbH have 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- Germany GmbH have pledged all of their inventories and property, plant and equipment as collateral to guarantee the fulfilment of the German subsidiaries' obligations under the Loan;
- Recylex GmbH, Harz-Metall GmbH, Weser-Metall GmbH, Norzinco GmbH, C2P-Germany GmbH, PPM Pure Metals GmbH and Recylex Grundstucksverwaltungs GmbH have pledged their

trade receivables not transferred under factoring agreements, and their property, plant and equipment as collateral for the performance of the Loan agreement;

- in accordance with the terms required to obtain the Loan, on October 19, 2016 Glencore International AG gave undertakings for the benefit of the Group's German subsidiaries, particularly to cover a potential budget overrun relating to Weser-Metall GmbH's new reduction furnace (up to €10 million) and any specific liquidity requirements of these German subsidiaries (up to €25 million).

b) Other commitments given:

- as part of Recytech S.A.'s obligation to create a financial guarantee to cover the security of its facilities and the treatment of waste materials on its site in the event of the discontinuation of its business, Recylex S.A. has undertaken, in the event of such discontinuation of business at Recytech S.A., to take ownership of all electric arc furnace dust present on the latter's site and to bear the cost of the transport and treatment of this dust.

Litigation and contingent liabilities

See the notes concerning significant events for the 2017 financial year *(Note 1)*.

NOTE 31. INFORMATION CONCERNING RELATED PARTIES AND BENEFITS GRANTED TO ADMINISTRATIVE AND MANAGEMENT BODIES

Information concerning related parties

	Expenses		Revenues		Receivables		Liabilities	
In thousands of euros	2017	2016	2017	2016	2017	2016	2017	2016
Glencore International AG	96,238	97,760	55,095	58,193	2,694	2,959	26,310	20,820
Recytech S.A.	-	-		-	-	-	-	-
Maturity								
Less than one year	-	-	-	-	2,694	2,959	5,260	7,247
One to five years	-	-	-	-	-	-		13,573
More than five 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, 2017, the Company had drawn all of the loan facility granted by Glencore International AG, 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, amounted to €5.1 million, with repayment due in 2026 *(Note 18)*.

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 S.A.'s Board of Directors.

The compensation and benefits of all types paid to members of Recylex S.A.'s Board of Directors break down as follows:

In thousands of euros	At December 31, 2017	At December 31, 2016
Short-term benefits	551	482
Total compensation and benefits *	**551**	**482**

** See section 2.9.2 of the Management Report of the Board of Directors.*

On November 30, 2017, the Board of Directors noted the end of Yves Roche's terms of office as director, Chairman of the Board of Directors and CEO, and decided to co-opt Sebastian Rudow as director and to appoint him Chairman of the Board of Directors and CEO.

No other post-employment or long-term benefits have been granted to senior executives.

NOTE 32. FINANCIAL RISK MANAGEMENT

Specializing in the recycling of zinc, lead and polypropylene and the production of special metals, the Recylex Group is mainly 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 procedural manual in order 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 the fluctuation in commodity prices. 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 are 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 floating-rate and liked to Libor or Euribor *(see Note 13)*. Only the debt resulting from the continuation plan, the maturity of which has been extended until 2026, does not bear interest (*see Note 18.1)*. The Group currently has no interest-rate hedges in place because of the low level of Euribor and Libor.

32.2. CURRENCY RISK

The Group is exposed to currency risk arising from transactions carried out by its subsidiaries in currencies other than their operating currency, with certain supply contracts, most notably, being denominated in dollars. The Group does not currently hedge its currency risk.

At December 31, 2017, the Group had no 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 used lead-acid batteries), the price of which was set at a different time. For that reason, hedges are taken out for any time lag between purchase and sale and for commercial stocks.

In 2017, the Group used derivative financial instruments to hedge risk relating to the lead price *(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 maintains commercial relations with a limited number of customers proven to be financially sound, to which the payment terms granted are very short. However, the Group cannot fully rule out the risk relating to the potential insolvency of its clients.

In the Lead and Zinc segments, the Group can hedge some of its accounts receivable by selling receivables to a factoring company under non-recourse factoring contracts. At December 31, 2017, the Group had sold €21.9 million of receivables to a factoring company, compared with €25.8 million at December 31, 2016.

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+, AA- and A from Standard & Poor's as at December 31, 2017. However, failures among financial institutions cannot be ruled out.

32.5. LIQUIDITY RISK

32.5.1. Liquidity risk at the parent company, Recylex S.A.

32.5.1.1. Cash forecasts

Recylex S.A. has prepared cash forecasts for 2018 based on the information currently available to it, and in particular:

- movements in the lead price and the EUR/USD exchange rate. Recylex S.A.'s business is very sensitive to movements in those parameters;
- movements in the cost of buying used batteries. Recylex S.A.'s gross margin and cash flow depend very closely on those movements;
- financial income, particularly dividends from subsidiaries and joint ventures;
- commitments to remediate the L'Estaque site and former mining sites;
- developments in legal proceedings in progress against Recylex S.A. *(Note 1)*;
- a staggered instalment plan to pay the European Commission fine *(Note 1)*;
- the calendar of the commissioning of the Lead segment's new reduction furnace.

Should any of the parameters used for the drawing up of this cash flow forecast turn out to be unfavorable, this forecast could be impacted negatively.

32.5.1.2 Debt - Recylex S.A.

Recylex S.A.'s debt (rescheduled liabilities and borrowings presented at non-discounted value in the table below), together with the projected repayment calendar (before elimination of intragroup items) is as follows:

In millions of euros	Liabilities 12/31/2016	Change in 2017	Liabilities 12/31/2017	Maturity
Initial plan	3.4	(0.6)	2.8	2019
Glencore International AG	5.1	-	5.1	2026
Total rescheduled debt at Recylex S.A.	**8.5**	**(0.6)**	**7.9**	
Loan (Note 13)	**8.6**	**7.4**	**16**	**2024**
Total Recylex S.A. debt	**17.1**	**6.8**	**23.9**	
Intragroup debt	(2.8)	-	(2.8)	2019
Total consolidated debt*	**14.3**	**6.8**	**21.1**	
of which current	-		-	
of which non-current	14.3		21.1	

** See Notes 18 "Other non-current liabilities" and 18.1 "Liabilities rescheduled under the continuation plan".*

At December 31, 2017, Recylex S.A.'s total debt was €23.9 million (€21.1 million after elimination of intragroup items).

At December 31, 2017, Recylex S.A. was using all of the €16 million loan facility arranged with Glencore International AG in 2014. The money thus raised has been used by the Company to pay the last two installments of the continuation plan and €8.2 million of compensation to former employees of Metaleurop Nord in accordance with the judgments of the Douai Appeal Court on January 31, 2017. Under the staggered installment plan to pay the European Commission fine, the repayment of this loan facility has been deferred to 2024.

Recylex S.A. does not have any current bank credit facilities.

32.5.1.3 Impact of legal proceedings - Recylex S.A.

The Company's short-term cash position and medium- to long-term financial position depend to a large extent on the outcome of current legal proceedings. Those proceedings are detailed in Note 1.

The principal legal proceedings involving Recylex S.A. are:

- a claim for damages initiated by the liquidators of Metaleurop Nord S.A.S. amounting to €22 million, not provided for in Recylex S.A.'s financial statements (*see Note 1);*
- claims for damages lodged against Recylex S.A. in the Lens Labor Court and the Douai Appeal Court by former employees of Metaleurop Nord S.A.S., notably for damages relating to anxiety and/or breach of a safety obligation and/or their disputed dismissal. The total amount of the claims in these

proceedings currently stands at around €31.3 million to date, in relation to which €4.7 million of provisions have been set aside in Recylex S.A.'s financial statements *(see Notes 1 and 14)*.

32.5.1.3 Other information - Recylex S.A.

In addition, the following factors should be taken into account when assessing the liquidity risk at Recylex S.A., the Group parent company:

- the €16 million loan facility agreed with Glencore International AG contains covenants that could trigger the early repayment of the loan. Thus, under this contract, the lender could require the early repayment of all sums due under the loan, particularly should an event aggravating or liable to aggravate significantly the Company's financial position occur;
- there is no centralization of Group cash at the level of Recylex S.A.;
- bank loans taken out and lines of credit used by certain subsidiaries in Germany are subject to bank covenants prohibiting the payment of dividends to the Recylex S.A. parent company before all sums borrowed have been repaid;
- as Recylex S.A.'s main client is Weser-Metall GmbH, its cash flow is highly dependent on that of Weser Metall GmbH, which forms part of the cash centralization of German units at the level of Recylex GmbH.

32.5.2 Liquidity risk of the German operations

On December 29, 2016, the Group finalized €67 million of financing for its German subsidiaries from a consortium of German banks. The Group secured all the financing it sought, and the money covers:

- €15 million in credit lines (€10 million to refinance existing credit lines, €5 million to extend the maturity of these lines) and €2 million to renew the bank guarantees required for industrial activities, repayable by October 31, 2021;
- the projected capital expenditure of the Group's German subsidiaries, which is strategically important to safeguard business for the future and amounts to €50 million, including €40 million relating to Weser-Metall GmbH's new reduction furnace, with the aim of enabling the Group's Lead segment to return to profit by extracting more lead from input materials.

A specific guarantee to cover a significant portion of the projected capital expenditure has been obtained from the Lower Saxony region of 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 carried out properly, 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 exert and benefit from their shareholder rights as long as the borrowers do not breach their obligations.

NOTE 33. FINANCIAL INSTRUMENTS ON THE BALANCE SHEET

Analysis of financial instruments by type of instrument

12/31/2017 *In thousands of euros*	Available for sale assets	Loans and receivables	Fair value through profit or loss	Hedging derivatives	Debt at amortized cost	Balance sheet value	Fair value
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***	-	-		-	-		
Cash and cash equivalents	-	5,546	-	-	-	5,546	5,546
LIABILITIES							
Non-current liabilities							
Non-current interest-bearing borrowings	-	-	-	-	42,214	42,214	42,214
Other non-current liabilities*	-	-	-	-	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***	-	-	55	-	-	55	55
Other current financial liabilities**	-	-	501	-	60	561	561

12/31/2016 *In thousands of euros*	Available for sale assets	Loans and receivables	Fair value through profit or loss	Hedging derivatives	Debt at amortized cost	Balance sheet value	Fair value
ASSETS							
Non-current assets							
Non-current financial assets		1,312				1,312	1,312
Non-current derivatives							
Other non-current assets		2,494				2,494	2,494
Current assets							
Trade receivables		25,059				25,059	25,059
Current derivatives***			3,250			3,250	3,250
Cash and cash equivalents		6,172				6,172	6,172
LIABILITIES							
Non-current liabilities							
Non-current interest-bearing borrowings					9 735	9,735	9,735
Other non-current liabilities*					8 699	8,699	8,699
Current liabilities							
Current interest-bearing borrowings					14 816	14,816	14,816
Trade payables					35 181	35,181	35,181
Current derivatives***							
Other current financial liabilities**					21	21	21

** Other non-current liabilities consist solely of liabilities rescheduled under the continuation plan. ** Other current financial liabilities include rescheduled liabilities, amounts due on non-current assets and other current liabilities (Notes 17 and 18), including the fair value of two interest-rate swaps. *** Comprises only commodity derivatives.*

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 12/31/2017	12/31/2016
Income/(expense) relating to loans and receivables recognized at amortized cost	-	-
Foreign exchange gains/(losses) on loans and receivables *(Note 27)*	(634)	(606)
Reversal of/(charge to) impairment losses on loans and receivables	-	-
Foreign exchange gains/(losses) on cash and cash equivalents *(Note 27)*	-	-
Factoring costs	(1,327)	(1,065)
Net gains and losses on loans and receivables	**(1,961)**	**(1,671)**
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	(6,197)	(4,938)
Impact of discounting frozen liabilities *(Note 18)*	(354)	-
Foreign exchange losses on borrowings at amortized cost *(Note 27)*	-	-
Financial gain/(loss) relating to recognition of liabilities under clawback clause as debt *(Note 18.2)*	-	342
Net gains and losses on borrowings and debt at amortized cost	**(6,551)**	**(4,596)**
Derivatives not designated as hedging instruments	**(3305)**	**3446**
Total	**(11,817)**	**(2,821)**

** Relates solely to short-term investments.*

NOTE 34. INFORMATION CONCERNING CREDIT RISK

Unpaid receivables

At December 31, 2017 *In thousands of euros*	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
			0-3 months	3-6 months	More than 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*	150,608					150,608
Total	**190,169**	**34,802**	**266**	**-**	**-**	**155,101**
At December 31, 2016 *In thousands of euros*						
Loans	744	744				
Trade receivables	28,508	24,254	804			3,449
Other receivables	3,025	1,994				1,031
Other financial assets*	150,608					150,608
Total	**182,885**	**26,992**	**804**	**-**	**-**	**155,088**

** These represent loans and advances granted to Metaleurop Nord S.A.S. and Peñarroya Espagne (see Note 6).*

Credit risk exposure breaks down as follows: At December 31, 2017, €0.3 million in trade receivables remained unpaid but were not written down. Of the total, 100% were less than 90 days past due.

Impairment of loans and receivables

In thousands of euros	At December 31, 2017			At December 31, 2016		
	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, 2017	**244,639**	**3,449**	**1,032**	**244,569**	**3,934**	**541**
Increases	70	30	20	70	14	491
Uses	-	-	-	-	-	-
Reversals	-	(38)	-	-	(498)	-
Total impairment at December 31, 2017	**244,709**	**3,441**	**1,052**	**244,639**	**3,449**	**1,032**

Impairment losses are recognized only on a case-by-case basis.

NOTE 35. LIQUIDITY RISK: OUTSTANDING FINANCIAL LIABILITIES BY MATURITY DATE

At December 31, 2017, 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	2018	2019	2020	2021	2022	> 5 years
Borrowings*	64,284	73,404	9,961	10,100	9,175	8,914	8,184	27,068
Liabilities rescheduled under the continuation plan**	4,696	5,050	-	-	-	-	-	5,050
Clawback clause***	3,545	19,210	-	-	-	-	-	19,210
Trade payables	31,926	31,926	31,926	-	-	-	-	-
Commitments under operating leases and finance leases	255	2,629	1,307	917	398	7	-	-
Other current liabilities	60	60	60	-	-	-	-	-
Total	**104,766**	**132,279**	**43,254**	**11,017**	**9,573**	**8,921**	**8,184**	**51,328**

** See Note 13. ** €5,050,000 relating to debt to Glencore International AG (see Notes 18.1 and 32). *** 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 clause provides that from and including December 31, 2015, Recylex S.A. will allocate 20% of its cash at December 31 of each financial year to repayment of the waived debt on a pari passu basis between the creditors who have requested the clawback provision, with no limit on the duration of such repayments. The total liability covered by the clause is €19,210,000. Its fair value (Note 18) at December 31, 2017 was €3,545,000.*

The above table shows all the outstanding liabilities at December 31, 2017, for which cash flows have been contractually agreed, except for the €25.9 million remaining principal balance of the European Commission fine, whose staggered instalment 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 IAS 39.

The Group is also exposed to two main trading risks related to metals prices:

- risk of fluctuations in metal prices relative to its firm commitments under sale contracts which are not recognized on the balance sheet;
- risk of fluctuations in prices of metals contained in commercial inventories[4].

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 clients in the product price. However, during the transformation of the raw materials into the product, 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 client. A trading risk therefore exists concerning changes in metal prices between the time when the price of the raw material purchased is determined and the time when the price of the finished product is determined.

The Group's policy is to hedge its trading risk as far as possible, mainly using futures contracts.

In the case of trading risks relating to firm commitments (point 1), the hedging derivatives used to cover the risk are deemed to be derivative financial instruments held for trading. In the case of trading risks relating to fluctuations in metals prices between the time of purchase and the time of sale (point 2), the hedging derivatives used to hedge against trading risks on metals prices are recognized at fair value through profit or loss. These derivatives do not meet the criteria for hedge accounting set out in IAS 39. The hedge accounting defined in IAS 39 cannot, therefore, be applied.

Fair value *In thousands of euros*	12/31/2017			12/31/2016
	Current	Non-current	Total	Total
Other financial instruments (assets - liabilities)	(55)	-	(55)	3,250
Assets				
Derivatives (cash flow hedges)	-	-	-	-
Derivatives (fair value hedges)	-	-	-	-
Derivatives (other)	-	-	-	3,250
Liabilities				
Derivatives (cash flow hedges)	-	-	-	-
Derivatives (fair value hedges)	-	-	-	-
Derivatives (other)	55	-	55	-

[4] 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 value 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 hedges

At December 31, 2017, the Group no longer had any derivative instruments designated as fair value hedges.

Cash flow hedges

At December 31, 2017, the Group did not have any derivative instruments designated as cash flow hedges.

Derivative financial instruments held for trading

At December 31, 2017, the Group used derivative financial instruments to hedge the trading risk arising from the change in metals prices between the time when the price of the raw material purchased is determined and the time when the price of the finished product is determined. IFRSs do not allow these financial instruments to be classified as hedges as defined by IAS 39 and they have therefore been classified as "Held-for-trading financial instruments". The maturity of these financial instruments, which are measured at fair value through profit or loss, is as follows:

In thousands of euros	Market value of derivatives by maturity date	Nominal
2017 financial year (derivative instruments)		
Sales of lead futures	(55)	(55)
Purchases of zinc futures	-	-
Purchases of silver futures	-	-
Total	**(55)**	**(55)**

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, 2017, the Group's exposure to currency risk was as follows:

12/31/2017	Thousands of US dollars	Thousands of pounds sterling	Thousands of euros
Trade receivables	11,244		9,375
Other current assets	130		108
Assets	**11,374**		**9,483**
Trade payables	8,216	453	7,362
Liabilities	**8,216**	**453**	**7,362**

At the balance sheet date, the sensitivity analysis was performed based on the assets and liabilities denominated in US dollars and pounds sterling as well as commodity derivatives denominated in US dollars. For currency risk, sensitivity reflects the impact of a +/-10% change in the euro-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, 2017, the Group's sensitivity to exchange-rate movements was as follows:

In thousands of euros	US dollar	Pound sterling
Net position (assets-liabilities)	3,158	(453)
+10%	(239)	46
-10%	293	(57)

NOTE 37. LIST OF CONSOLIDATED ENTITIES AT DECEMBER 31, 2017

The scope of consolidation for 2017 is shown in the table below.

	Registered office	Consolidation method	% interest at 12/31/2017	% control	% interest at 12/31/2016
Recylex S.A.	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	EM	50.00	50.00	50.00
Belgique					
Fonderie et Manufacture de Métaux SA	Brussels	FC	100.00	100.00	100.00
Allemagne					
Recylex GmbH	Hannover	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	Hannover	FC	100.00	100.00	100.00
Recylex Beteiligungsgesellschaft Zwei mbH	Hannover	FC	100.00	100.00	100.00
Algérie					
Eco-Recyclage SpA	Algiers	MEQ	33.33	33.33	33.33

** FC = Full consolidation / EM = Equity method / NC = Not consolidated.*

In 2017, Recylex Commercial S.A.S. merged with Recylex S.A. with retroactive effect from January 1, 2017.

NOTE 38. ENVIRONMENT-RELATED PROVISIONS AND CONTINGENT LIABILITIES

38.1. BACKGROUND AND CONTEXT OF ENVIRONMENT-RELATED PROVISIONS AND CONTINGENT LIABILITIES

The Group's operating sites are described in detail in section 1 of the Board of Directors' Management Report.

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 requirements. As a result, these activities carry a risk that Recylex will be held liable for matters including site clean-up and industrial safety. In accordance with IFRSs, provisions can only be booked 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 of the Group that have created a legitimate expectation from the relevant third parties that the Group will assume certain liability, 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-2017, environmental provisions recognized by the Group totaled €24,247,000, covering the present value of all forecastable expenditure based on 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 regulations, the interpretation and application of regulations by the authorities, 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	12/31/2017	12/31/2016
France		
Closed sites	9,868	10,796
Mines	4,830	5,003
Germany		
Active sites	1,152	1,152
Closed sites	8,397	6,663
Belgium		
Closed sites	0	431
Total provisions	**24,247**	**24,045**

Environmental provisions and contingent liabilities identified by the Group are discussed below.

38.2. PROVISIONS AND MONITORING OF CONTINGENT LIABILITIES RELATING TO MINING CONCESSIONS (FRANCE)

38.2.1. Provisions recognized under the procedure of giving up rights to operate mining concessions

Recylex S.A. still holds mining concessions on 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 €4,830,000 at December 31, 2017.

In thousands of euros	12/31/2017	12/31/2016
Total provisions	**4,830**	**5,003**

At the end of 2017, Recylex S.A. had mining rights at nine concessions and one operating permit having given up eighteen concessions since 2005. Work has been completed at seven concessions, inspection certificates have been obtained from the administrative authorities, and the waiver certificate from the administrative authorities is pending. However, the mining rights relating to these concessions, which have an "unlimited" life and are no longer being exploited, will expire on December 31, 2018. In the second half of 2017, work began to ensure the safety of a mining site in the Gard region and will continue in 2018, and a dispute arose with the authorities concerning a mining site in the Hautes-Pyrénées region following a prefectoral decision. Expenditure incurred in 2017 for the remediation of former mines came to €696,000.

38.2.2. Monitoring of contingent liabilities relating to former mining sites

At December 31, 2017, the Company was not aware of any actual or potential obligation relating to former mining sites that could constitute a contingent liability.

38.3. 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 closed sites and former landfill sites of the Recylex group.

In thousands of euros	12/31/2017	12/31/2016
France		
Closed sites	9,868	10,796
Germany		
Closed sites	8,397	6,663
Total	**17,459**	**18,458**

38.3.1. Provisions recognized on sites in France (L'Estaque site)

Following the discontinuation of operations at the L'Estaque facility in February 2001, a Prefect's order supplementary to the order issued on December 23, 2002 defining the program to remediate the site was issued by the Prefect on February 6, 2012, determining the timetable for works to December 31, 2015. A request to defer the completion date for the remediation work at this site was made in the second half of 2015 with the relevant authorities. In February 2016, the Company received the order supplementing the Prefect's initial order, extending the work completion date to December 31, 2018.

I

In June 2012, a contract was signed with a specialist contractor for the construction and operation of a first storage cell. In 2014, a second cell was built and partially filled. After a period during which work stopped, Recylex S.A. resumed excavation work and the filling of the second cell in the second half of 2017.

The aggregate amount of provisions (before discounting) covering the entire remediation program at L'Estaque came to €8,698,000 at December 31, 2017. An additional provision of €434,000 was set aside at December 31, 2017 to take account the impact on recurring costs caused by the expected extension of the works period. These amounts are the best available estimates, based on technical reports by independent experts.

The search for financing and specialized partnerships dedicated specifically to remediation works at the L'Estaque site commenced in 2013 was unsuccessful, and so Recylex S.A. resumed the remediation works at the L'Estaque site in the second half of 2017 and continues to look out for opportunities to enhance the value of its site in future years.

38.3.2 Provisions relating to sites in Germany

Most industrial sites and landfill sites in Germany ceased operations before the merger between Preussag GmbH and Peñarroya S.A. 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 €9,548,000 at December 31, 2017, including €8,198,000 for the Harz-Metall GmbH site in Goslar and €1,350,000 for the Weser-Metall GmbH site. These amounts are the best available estimates, based on the technical reports of independent experts and were updated in 2017.

(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 (estimated cost: €5,865,000), site surveillance (estimated cost: €1,151,000) and remediating abandoned industrial facilities (estimated cost: €1,182,000). Expenditure incurred in 2017 for the remediation and securing of former slag heaps and industrial sites amounted to €252,000.

(ii) Weser-Metall GmbH site: former lead facility and other landfill sites

At the Weser-Metall GmbH site in Nordenham, the €250,000 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, 2017. At the Galing landfill, a €500,000 provision has been booked to cover monitoring costs, also expected to last ten years.

38.3.3. 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 by the new road. However, the Group cannot rule out the possibility of the local authority requiring 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 present obligation.

38.4. 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. Concerning provisions for remediation of operational storage areas for end-of-process waste (slag from production), the Group recognizes provisions for its remediation undertakings which are set against noncurrent asset elements that reflect the expected date of expenditure (present value). This asset is depreciated as it is consumed. The remediation costs that will arise on the closure of this waste storage site were re-measured at €1,024,000 in 2017, taking into account a second phase of works to achieve total storage capacity. The provision made reflects the date that this expense will be incurred and is therefore discounted to present value. An asset of equal value has been created to balance this provision. The provision thus calculated is €2,140,000 at December 31, 2017. The asset is being depreciated as the storage capacity is used.

In Belgium, a site restoration guarantee in the event of discontinuation of the activities of the FMM S.A. subsidiary, was created to meet the requirements of the environmental protection authorities. The total value of the guarantee is €742,000. Since 2013, FMM S.A. has discontinued its lead smelting business and, in cooperation with the Belgian environmental protection authorities, commissioned from specialist consultants reports on the scope of land and underground water remediation works following the closure of that business. In the fourth quarter of 2016, FMM S.A. discontinued its scrap battery collection business effective December 31, 2016. As part of the closure process, several reports were carried out by a consultancy specializing in soil pollution, on the basis of which the amount of the aforementioned guarantee was reduced to €381,000, validated by the environmental authorities in the first quarter of 2017. In June 2017, FMM's site was sold, and as part of the transaction the benefit of the financial guarantee was transferred to the buyer.

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 business. By the nature of their businesses, Recylex S.A. and Recytech S.A. are covered by this requirement. In 2017, Recylex S.A. made the fourth payment of the aforementioned guarantee, the amount of which was approved by the relevant authorities in accordance with article R. 516-1 of the French Environmental Code as modified by the decree of May 31, 2012. 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, 2017, Recylex S.A. recognized a long-term financial asset corresponding to the first two tranches in a total amount of €350,000. That asset is written down in full, as the use of this financial guarantee, linked to a situation of discontinuation of the business, is not situated in a defined period.

NOTE 39. POST-BALANCE SHEET EVENTS

On December 29, 2016, the Group's parent company Recylex S.A. set up an equity line with Kepler Cheuvreux, following the expiry of the previous line *(see Note 12)*.

Between January 1, 2018 and March 31, 2018, 80,000 new shares were issued within the scope of this equity line, generating a net cash inflow of €1,012,340.

At the end of the first quarter of 2018, there was a scheduled four-week maintenance shutdown at the Weser-Metall GmbH lead smelter, partly in order to connect the main kiln with the new reduction kiln.

Currently, work on building the new reduction kiln is on schedule and it is expected to come into service at the end of the first half of 2018.

No events, other than those described in this Note and Note 1, that may have a material impact on the Group's activities or its business and financial position occurred between the end of the 2017 financial year and the date on which the financial statements for the year ended December 31, 2017 were approved.

Against that background, the financial statements for the year ended December 31, 2017 were approved by the Company's Board of Directors in its April 13, 2018 meeting, and shareholders will be invited to approve them in the general meeting of shareholders on June 5, 2018.

NOTE 40. FEES PAID TO STATUTORY AUDITORS

	Deloitte				KPMG			
	Amount		%		Amount		%	
En euros	2017	2016	2017	2016	2017	2016	2017	2016
Audit								
Recylex S.A.	183,000	138,000	35%	26%	183,000	138,000	100%	93%
Subsidiaries	340,817	383,000	65%	74%	-	11,500	-	7%
Sub-total	**523,817**	**521,000**	**100%**	**100%**	**183,000**	**149,500**	**100%**	**100%**
Other services								
Recylex S.A.	-	4,000	**25%**	**25%**	17,500	20,600	100%	89%
Subsidiaries	120,000	47,818	75%	75%	**-**	2,500	**-**	**11%**
Sub-total	**120,000**	**51,818**	**100%**	**100%**	**17,500**	**23,100**	**100%**	**100%**
TOTAL	**643,817**	**572,818**	**100%**	**100%**	**200,500**	**172,600**	**100%**	**100%**

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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.

To the General Assembly of shareholders of Recylex S.A.,

OPINION

In compliance 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 31 December 2017.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2017 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

BASIS FOR OPINION

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1 January 2017 to the date of our report and specifically 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 (code de déontologie) for statutory auditors.

Furthermore, the non-audit services that we provided to your Company and its controlled undertakings during the financial year that are not disclosed in the management report or in the notes to the financial statements are as follows:

- issuance of the Independent Third Party Organisation's report on social, environmental, and societal information provided pursuant to Article L.225-102-1 of the French Commercial Code (code de commerce) (service provided by KPMG);
- issuance of attestations on accounting and financial information and delivery of tax services permitted by local legislation (service provided by Deloitte Germany).

JUSTIFICATION OF ASSESSMENTS - KEY AUDIT MATTERS

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 of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Assessment of provisions for contingencies and charges :

Identified risks

The company is exposed to risks, litigations or disputes relating to the Metaleurop Nord SAS shutdown.

These risk, litigations or disputes can have a significant impact on the statutory financial statements. Their assessment by the Company and the resulting amount accrued as of 31st December 2017 are detailed in the paragraph "Ongoing litigations" of the note "Significant events" of the statutory financial statements, in the paragraph "Provisions for contingencies and charges" of Note 1 "Accounting policies".

We have considered this topic as a key audit matter given the concerned amounts and the degree of judgment required by the Management for the determination of the provisions with respect to the progress of the judicial proceedings and the evolution of the regulatory environment.

Our answer

Our work mainly consisted in:

- familiarizing ourselves (i) with the processes implemented by the company in order to identify and to list the risks related to the Metaleurop Nord S.A.S. shutdown that may significantly affect the financial statements, (ii) with the risks analysis performed by the company and (iii) with the related documentation;
- appreciating the analysis conducted by the company and examining the reasonableness of the risk assessment that was done based on past experience, of similar rulings and of written confirmations received from external legal counsels of the company;
- appreciating the potential impact on this risk assessment of the Court decisions delivered subsequently to the closing date until the date of our report and described in the notes here above.

At last, we have appreciated the appropriateness of the information related to these risks disclosed in the notes mentioned here above.

VERIFICATION OF THE MANAGEMENT REPORT AND OF THE OTHER DOCUMENTS PROVIDED TO YOU

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

Information given in the management report and in the other documents provided to the Shareholders with respect to the financial position and the financial statements

We have no matters to report as to 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 provided to the Shareholders with respect to the financial position and the financial statements.

Information relating to corporate governance

We attest that the corporate governance section of the management report sets out 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 (code de commerce) relating to remunerations and benefits received by the directors and any other commitments made in their favour, 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 these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your company considered likely to have an impact in the event of a public purchase offer or exchange, provided pursuant to Article L.225-37-5 of the French Commercial Code, we have agreed these to the source documents communicated to us. Based on our work, we have no observations to make on this information.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Metaleurop S.A. (that became Recylex S.A. in 2007) by the annual general meeting held on 30 March 2000 for Deloitte & Associés audit firm and on 13 February 1995 for KPMG audit firm.

As at 31 December 2017, Deloitte & Associés audit firm was in the 18th year with no interruption and KPMG audit firm was in the 24th year given the succession of terms that occurred 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 risks 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

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 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 provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics (code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense and Neuilly-sur-Seine, April 13, 2018
French original signed by the statutory auditors

KPMG Audit ID
Alexandra Saastamoinen
Partner

Deloitte & Associés
Laurent Odobez
Partner

PARENT COMPANY FINANCIAL STATEMENTS AT DECEMBER 31, 2017

BALANCE SHEET

At December 31, 2017

ASSETS *In thousands of euros*	12/31/2017			12/31/2016
	Gross value	Depreciation, amortization and impairment	Net	Net
Intangible assets	**3,415**	**(3,405)**	**11**	**13**
Property, plant and equipment	**26,835**	**(19,181)**	**7,654**	**7,861**
Financial assets				
Equity investments	158,297	(95,708)	62,590	62,742
Loans and advances to investee companies	161,308	(150,608)	10,700	10,700
Other	2,709	(464)	2,245	1,298
Non-current assets	**352,565**	**(269,365)**	**83,199**	**82,615**
Inventories and work in progress	11,589		11,589	9,149
Advances and downpayments on orders	385		385	391
Trade receivables	11,014	(3,744)	7,269	1,379
Other receivables	6,221	(1,799)	4,422	2,043
Marketable securities	163		163	81
Cash and cash equivalents	355		355	293
Current assets	**29,727**	**(5,543)**	**24,184**	**13,337**
Prepaid expenses and deferred charges	42		42	89
Other assets				
TOTAL ASSETS	**382,333**	**(274,908)**	**107,425**	**96,042**

EQUITY AND LIABILITIES *In thousands of euros*	12/31/2017	12/31/2016
Share capital	9,435	31,826
Additional paid-in capital	7,103	869
Revaluation reserves	1,455	1,455
Statutory reserve	875	875
Regulated reserves		
Other reserves	660	660
Retained earnings	(493)	(9,512)
Special tax-allowance provisions	67	86
Net income/(loss) for the period	**6,494**	**(14,910)**
Total equity	**25,596**	**11,349**
Provisions for contingencies	8,376	42,868
Provisions for charges	15,027	16,048
Total provisions	**23,403**	**58,916**
Bank borrowings		
Other financial liabilities	16,110	8,582
Financial liabilities	**16,110**	**8,582**
Trade payables	5,951	6,229
Tax and employee-related liabilities	1,404	1,140
Other liabilities	34,961	9,825
Prepaid income		
Other liabilities	**42,317**	**17,195**
Liabilities	**58,427**	**25,777**
TOTAL EQUITY AND LIABILITIES	**107,425**	**96,042**

INCOME STATEMENT

At December 31, 2017

In thousands of euros	2017	2016
Sales	**91,122**	**59,079**
Provision reversals	2,040	1,088
Other operating revenue and change in inventories	1,948	3,327
Operating revenue	**95,110**	**63,495**
Purchases and change in inventories	(72,839)	(48,470)
Other purchases and external charges	(14,744)	(10,939)
Taxes other than on income	(667)	(513)
Staff costs	(3,535)	(3,433)
Depreciation, amortization and provisions	(2,236)	(1,364)
Operating expenses	**(94,021)**	**(64,718)**
Operating income/(loss)	**1,088**	**(1,223)**
Interest and similar income	6,545	4,901
Provision reversals and expense transfers	82	40
Financial income	**6,627**	**4,941**
Interest and similar expenses	(1,255)	(595)
Charges to provisions		
Financial expense	**(1,255)**	**(595)**
NET FINANCIAL INCOME	**5,372**	**4,346**
INCOME BEFORE NON-RECURRING ITEMS	**6,460**	**3,123**
Net non-recurring gains/(losses) on operating activities	(34,472)	(696)
Net gains/(losses) on capital transactions	(84)	(1,026)
Net provision reversal/(charge)	34,442	(16,625)
NET NON-RECURRING INCOME/(EXPENSE)	**(114)**	**(18,346)**
INCOME BEFORE TAX	**6,346**	**(15,223)**
Income tax	148	313
NET INCOME	**6,494**	**(14,910)**

CASH FLOW STATEMENT

At December 31, 2017

In thousands of euros	2017	2016
Net income excluding dividends	494	(19,519)
Depreciation and amortization	1,086	1,123
Change in provisions	(484)	15,738
Gains and losses on disposals of non-current assets	84	1,026
Operating cash flow	**1,180**	**(1,633)**
Change in inventories	(2,440)	(3,934)
Change in trade receivables and payables	(5,902)	827
Net cash from operating activities (A)	**(7,162)**	**(4,740)**
Purchases of non-current assets and increase in related receivables		
Property, plant and equipment	*(961)*	*(640)*
Financial assets	*(1,927)*	*(1,038)*
Disposals of non-current assets and decrease in related receivables		
Property, plant and equipment	*0*	*1*
Financial assets	*911*	*425*
Net cash from investing activities (B)	**(1,977)**	**(1,252)**
OPERATING FREE CASH FLOW (C=A+B)	**(9,139)**	**(5,993)**
Capital contributions	7,772	1
Dividends received	6,000	4,609
Change in financial liabilities	7,258	(5)
Change in non-operating assets and liabilities	(12,099)	(158)
NET CASH FROM FINANCING ACTIVITIES (D)	**9,201**	**4,446**
CHANGE IN CASH AND CASH EQUIVALENTS (C+D)	**62**	**(1,546)**

SIGNIFICANT EVENTS IN 2017

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 Paris stock exchange (ISIN code: FR0000120388 – Ticker: RX) and has industrial activities comprising the collection, processing and recycling of scrap lead batteries, along with holding-company activities as group head. It also manages a number of environmental liabilities it has inherited from the industrial legacy of the Peñarroya S.A. mining group.

SIGNIFICANT EVENTS

In 2017, lead prices were 21% higher than in 2016 on average, but varied widely between quarters. After rising significantly in the first quarter – continuing the increase seen in the third and fourth quarters of 2016 – the lead price fell in the second, rallied slightly in the third and then rose more significantly in the fourth.

In 2017, the average €/$ exchange rate rose by 2% to 1.1295 as opposed to 1.1067 in 2016. However, the euro was on a steady uptrend throughout the year.

The Company's battery processing plants handled some 90,000 tonnes of batteries in 2017, higher than the 2016 figure of around 72,000 tonnes.

ONGOING LITIGATION

A document summarizing the developments in proceedings concerning Recylex S.A. and Metaleurop Nord S.A.S. can be found on the Group's website *(www.recylex.fr - News - Legal proceedings schedule)*.

1. Former employees of Metaleurop Nord S.A.S.

a) Claims of damages for dismissal without fair cause and/or for 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 against 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 regard Recylex S.A. as the co-employer of the claimants, but nevertheless considered that Recylex S.A. 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 for their loss of a chance to keep their jobs, along with €400 in costs, making a total of €7,759,800 in principal. All sums due under these decisions, including principal and interest, were paid by the Company on December 1, 2017, which has lodged an appeal against these decisions before the Cour de Cassation. The Cour de Cassation examined this appeal at its hearing of April 10, 2018 and its decisions will be issued on May 24, 2018.

As a reminder, 91 of the 187 aforementioned 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 current administrative proceedings regarding the inclusion of the Metaleurop Nord site in Noyelles-Godault on the list of facilities entitling asbestos workers to early retirement benefits ("ACAATA benefits"). As part of those proceedings, the Douai Administrative Appeal Court decided, in an order of March 2, 2017 that has become definitive, that the inclusion order should be revoked and a ministerial order having that effect was made on December 19, 2017 (*see section f) below)*.

b) 2013-2017: This concerns 455 claims for damages in respect 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 €4.3 million of provisions 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 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 French Civil Procedure Code, making a grand total of €1,213,500. Recylex S.A. has appealed against these decisions, thereby suspending their application, and the next hearing before the Douai Appeal Court is scheduled for May 15, 2018. The claims made by seven former non-protected employees were rejected, but two of those employees have appealed.

Concerning anxiety damages claims 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 €3,000 and €24,000 as damages, along with €500 under article 700 of the Civil Procedure Code, totaling €186,500. Recylex S.A. intends to appeal against these decisions, thereby suspending their enforcement.

330 anxiety damages claims totaling around €20 million are pending before the Lens Labor Court and are due to be heard on March 26, 2019. The next hearing before the Lens Labor Court concerning the damages claims of 15 former protected employees disputing their dismissal, in a total amount of €1.7 million, is also scheduled for March 26, 2019.

c) Application by Recylex S.A. to be joined to proceedings against the cancellation of the dismissal authorizations of 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 former protected employees to cancel authorization of their dismissal. Since Recylex S.A. has never been called to appear or represented in connection with this administrative procedure, it applied in January 2015 to join 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.

On December 31, 2015, the Douai Administrative Appeal Court accepted Recylex S.A.'s application to be joined to the proceedings, but rejected the appeal by Metaleurop Nord S.A.S.'s liquidators against the decision by the Lille Administrative Court that cancelled the dismissal authorizations relating to 16 protected former employees. In February 2016, Recylex S.A. filed an appeal before the Conseil d'Etat. On February 7, 2018, the Conseil d'Etat decided to cancel the Douai Administrative Appeal Court's order of December 31, 2015 and the Lille Administrative Court's decision of October 2, 2013 concerning two protected former employees of Metaleurop Nord S.A.S., with the effect that the redundancy authorizations granted in 2003 in respect of those employees remain valid.

d) 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 anxiety and/or disruption to livelihood and/or breach of a security obligation 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 on 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 dialogue to add said facility to the list of those eligible for the ACAATA allocation for the period between January 1, 1962 and December 31, 1996. An interministerial order was made on November 5, 2013 for that purpose.

Since Recylex S.A. has never been asked to appear or represented in connection with these administrative proceedings, 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 inclusion of Metaleurop Nord S.A.S.' site in Noyelles-Godault on the list of those giving an entitlement to ACAATA benefits. 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 taken 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 July 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 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 for the Chœurs de Fondeurs association;
- enjoin the French ministry of labor, employment, continuing professional development and employee-management dialogue to cancel, within two months of notification of the present 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 that order has become definitive after the Chœurs de Fondeurs appeal was rejected by the Conseil d'Etat, a ministerial order revoking the classification orders of November 5, 2013 and March 2, 2016 was made on December 19, 2017. On February 19, 2018, a claim for annulment of this ministerial decree has been lodged by two former employees of Metaleurop Nord S.A.S..

e) The liquidators of Metaleurop Nord S.A.S.

Proceedings for damages against the liquidators

On March 19, 2013, Recylex S.A. commenced proceedings for damages before the Béthune Regional Court against the liquidators of Metaleurop Nord S.A.S. for the prejudice that Recylex S.A. had suffered on account of the fault committed by the liquidators in connection with the dismissals of the former employees of Metaleurop Nord S.A.S., which led to damages being awarded to the latter.

The hearing for pleadings before the Béthune Regional Court is scheduled for June 5, 2018.

Proceedings 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 principal amount of around €22 million, which is not provisioned and 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 employees by the AGS salary guarantee fund regime.

On April 11, 2018, the Arras Commercial Court ruled in favor of Recylex S.A. The claim from the liquidators of Metaleurop Nord S.A.S. was considered inadmissible as being time-barred since March 21, 2013 on the one hand, and for not having been declared within the scope of the judicial recovery procedure of Recylex S.A. whilst their alleged receivable was born before its opening, on the second hand.

No provision has been set aside in the Company's financial statements in relation to these proceedings.

f) European Commission inquiry into the lead recycling sector

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 enquiry that started in 2012 regarding anti-competitive practices in the purchasing of scrap lead car batteries.

In 2016, the Company and its subsidiaries involved in this procedure received requests for additional information from the European Commission, to which they responded within the specified timeframes.

On February 8, 2017, the European Commission fined Recylex S.A. €26.7 million for anti-competitive practices in the purchasing of scrap batteries, this amount including 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. Recylex and its concerned subsidiaries have decided to appeal against this decision.

During the second quarter of 2017, after discussions involving all the relevant parties, the European Commission agreed to the payment plan proposed by Recylex S.A., which notably includes the payment of the fine by Recylex S.A. (the Group's parent company) and the deferral, on a medium-long term basis, of the payment of a major part of the fine. Under that agreement, Recylex S.A. is paying the fine (principal and interest) according to the timetable set out in the payment plan and the provision made as at 31st December 2016 was re-classed in debt in 2017.

CASH POSITION AND EXTERNAL FINANCING

At December 31, 2017, the Recylex S.A. parent company had available cash of €0.4 million, compared with €0.3 million at December 31, 2016. The Company has prepared cash forecasts for 2018 based on the information currently available to it, including payments related to its commitments to rehabilitate its former mining sites and its L'Estaque site.

During the second quarter 2017, an agreement was concluded with the European Commission for the payment of a €26.7 million fine, and was included in the cash flow projections of Recylex S.A. The terms and conditions of this plan are confidential but are compatible with the cash flow forecast established by Recylex S.A., enabling the Group to fulfill its currently identified and provisioned commitments in France and in Germany through to the end of the plan (excluding unidentified and non-provisioned risks as described in Note 32 to the consolidated financial statements for the year ended December 31, 2017).

In 2014, Recylex S.A. signed a loan agreement for a maximum amount of €16.0 million with Glencore International AG. All the

information about this loan agreement is described in detail in Note 13 to the consolidated financial statements for the year ended December 31, 2017. At December 31, 2017, the Company had drawn all of that loan facility. Under the agreement to pay the fine decided by the European Commission, the repayment of this loan facility has been deferred to 2024.

The search for financing and specialized partnerships dedicated specifically to remediation works at the L'Estaque site commenced in 2013 was unsuccessful, and so Recylex S.A. resumed the remediation works at the L'Estaque site in the second half of 2017, at a cost of €1.4 million. At December 31, 2017, €9.9 million of provisions had been set aside to cover all work still to be done, and the work will be financed by Recylex S.A.

Drawings in 2017 on the equity line arranged with Kepler Cheuvreux in December 2016 generated net cash flow of €6.9 million through the issue of 1,240,000 new shares in 2017.

The impact of the Group's German operations on the cash situation and the risks facing the parent company Recylex S.A. are described in Note 32 to the consolidated financial statements for the year ended December 31, 2017.

POST-BALANCE SHEET EVENTS

The financial statements for the year ended December 31, 2017 were approved by the Company's Board of Directors in its April 13, 2018 meeting, and shareholders will be invited to approve them in the general meeting of shareholders on June 5, 2018.

After drawings on the equity line arranged with Kepler Cheuvreux to cover Recylex S.A.'s cash requirements relating to its ordinary activities in France, 80,000 new shares were issued between January 1, 2018 and March 31, 2018, generating a total net cash inflow of €1,012,340 for Recylex S.A.

No events that may have a material impact on the Group's activities or on its business and financial position occurred between the end of the 2017 financial year and the date of this Report.

NOTES TO THE FINANCIAL STATEMENTS OF RECYLEX S.A.

The 2017 parent company financial statements have been prepared in accordance with the provisions of the French Commercial Code and with generally accepted French accounting principles (ANC regulation 2016-07). Generally accepted accounting conventions have been applied in accordance with the principle of prudence 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.

The economic outlook of the Group's various business segments remains hard to gauge, mainly due to volatility in metals prices and financial markets. The financial estimates used in the preparation of the financial statements for the year to December 31, 2017 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 defined useful life are amortized by the straight-line method 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
Plant, equipment and tools	5 to 20 years
Other property, plant and equipment	3 to 10 years

Impairment of property, plant and equipment

Property, plant and equipment is tested for impairment whenever there is evidence of impairment.
An impairment loss is recognized if the recoverable amount has fallen below its carrying amount.

Impairment testing consists in comparing the net carrying amount of the asset to its recoverable amount, which is obtained by summing the present value of anticipated future cash flows from the asset.

1.3. FINANCIAL ASSETS

Non-current financial assets are measured at cost. A provision for impairment 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 provisions are recognized on receivables due from investee companies and 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 products are measured at their weighted average real production cost.
Provisions for impairment are 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 average weighted cost.

1.5. RECEIVABLES

Receivables are recorded at their nominal value and, where necessary, are subject to an impairment provision based on the probability of non-recovery.

1.6. MARKETABLE SECURITIES

Marketable securities comprise treasury shares measured at cost and short-term investments of excess cash. Where the market price is lower than cost, an impairment provision 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 assumed 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 created where there is a legal or regulatory obligation. This relates primarily to the costs of remediating closed sites. These provisions are assessed on the basis of the Company's mining and metalworking experience and on external cost estimates, when such estimates are available.

1.7.2. Pension and post-retirement 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	01/01/2017	Acquisitions/ Increases	Disposals/ Reversals	Other movements	12/31/2017	Of which: 1976 revaluation
Patents, licenses and concessions	205				205	
Software	3,206			**4**	3,210	
Gross value	**3,411**	**0**	**0**	**4**	**3,415**	
Patents, licenses and concessions	203	0			203	
Software	3,195	7			3,202	
Amortization	**3,398**	**7**	**0**	**0**	**3,405**	
Net value	**13**	**(7)**	**0**	**4**	**11**	

2.1.2. Property, plant and equipment

In thousands of euros	01/01/2017	Acquisitions/ Increases	Disposals/ Reversals	Other movements	12/31/2017	Of which: 1976 revaluation
Land	3,199	11	(13)		3,197	1,479
Buildings	9,515	338	(123)	294	10,024	376
Plant, equipment and tools	8,770	305	(203)	161	9,032	28
Other	4,217	55	(3)	3	4,272	2
Property, plant and equipment in progress	520	253		(462)	310	
Gross value	**26,220**	**961**	**(342)**	**(4)**	**26,835**	**1,886**
Land	884	22	**(12)**		893	24
Buildings	6,974	403	(67)		7,309	376
Plant, equipment and tools	7,063	398	(175)		7,286	28
Other	3,438	257	(3)		3,693	2
Depreciation	**18,359**	**1,079**	**(258)**	**0**	**19,181**	**430**
Land	0				0	
Buildings	0				0	
Plant, equipment and tools	0				0	
Other	0				0	
Impairment	-	0	0	0	0	-
Net value	**7,861**	**(118)**	**(84)**	**(4)**	**7,654**	**1,455**

2.2. FINANCIAL ASSETS

In thousands of euros	01/01/2017	Acquisitions/ Increases	Disposals/ Reversals	Other movements	12/31/2017	Of which: 1976 revaluation
Equity investments*	158,450		(152)		158,297	9,940
Receivables from investee companies	161,308				161,308	
Other long-term securities	123				123	
Other**	1,569	1,927	(911)		2,586	
Gross value	**321,450**	**1,927**	**(1,064)**		**322,314**	**9,940**
Equity investments	95,708				95,708	9,940
Receivables from investee companies	150,608				150,608	
Other long-term securities	114				114	
Other	280	70			350	
Impairment provisions	**246,710**				**246,780**	**9,940**
Net value	**74,741**	**1,857**	**(1,064)**		**75,534**	**-**

** Under a merger agreement signed on June 30, 2017 by Recylex S.A. and Recylex Commercial S.A.S., which took effect on September 8, 2017, Recylex Commercial S.A.S. was wound up through its absorption by Recylex S.A. All of its assets and liabilities were transferred to Recylex S.A., its sole shareholder, with retroactive effect from January 1, 2017 for accounting and tax purposes. The transfer led to €152,000 of equity investments being removed from assets and €150,000 of shareholder loans being removed from liabilities. The gain on cancelled shares amounted to €10,000. ** This relates to financial guarantees connected with notifications concerning cross-border shipments of waste.*

2.3. INVENTORIES AND WORK-IN-PROGRESS

In thousands of euros	12/31/2017	12/31/2016
Raw materials and other supplies	2,267	1,756
Finished and semi-finished goods	9,322	7,393
Gross value	**11,589**	**9,149**
Impairment provisions		-
Net value	**11,589**	**9,149**

2.4. RECEIVABLES AND PREPAID EXPENSES AT THE END OF THE FINANCIAL YEAR

		Degree of asset liquidity	
In thousands of euros	12/31/2017 Gross value	Maturities of less than one year	Maturities of more than one year
Receivables on non-current assets			
Loans and advances to investee companies*	161,308		161,308
Loans			
Other non-current financial assets**	2,709	2,194	515
Operating receivables			
Trade receivables***	11,014	7,703	3,311
Other receivables****	6,606	6,606	
Prepaid expenses	42	42	
Total	**181,678**	**16,544**	**165,134**

** Of which €150,608,000 are fully depreciated. ** Including guarantees connected with notifications concerning cross-border shipments of waste: €2,194,000. *** Including doubtful receivables provisioned: €3,744,000. **** Including advances and downpayments on orders: €385,000.*

2.5. SHARE CAPITAL

2.5.1. Share capital and additional paid-in capital

The Company's share capital amounted to €9,435,178 and comprised 25,500,482 fully paid-up shares with par value of €0.37 each at December 31, 2017.

	Number of shares	Par value *(in euros)*	Share capital *(in euros)*
At January 1, 2017	24,110,982	1.32	31,826,496
New ordinary shares issued (before 07/11/2017)*	1,078,000	1.32	1,422,960
At July 11, 2017	25,188,982	1.32	33,249,456
July 11, 2017 capital reduction**		(0.95)	(23,929,533)
New ordinary shares issued (after 07/11/2017)***	311,500	0.37	115,255
At December 31, 2017	**25,500,482**	**0.37**	**9,435,178**

** Recylex S.A. arranged a new equity line with Kepler Cheuvreux S.A., authorized by the Combined General Meeting of Recylex SA's shareholders on September 15, 2016 (fifth resolution) and the decision by the Board of Directors on November 30, 2016. In 2017, successive drawings on the equity line gave rise to the issue of 1,240,000 new shares for a total amount of €6,920,000 (€1,385,050 of share capital and €5,534,730 of additional paid-in capital). In addition, 149,500 shares were created in 2017 following the exercise of stock options (09/26/2008 plan). ** Following decisions taken by the Combined General Meeting of July 11, 2017 (thirteenth resolution) and by the Board of Directors in its July 11, 2017 meeting, to cover a proportion of previous losses, the Company's share capital was reduced by €23,929,533 by reducing the par value of the 25,188,982 existing shares by €0.95 each. *** In its March 16, 2018 meeting, the Company's Board of Directors noted the completion of an increase in the Company's share capital in an nominal amount of €115,255, taking the Company's share capital from €9,319,923.34 to €9,435,178.34 (i.e. 25,500,482 shares with par value of €0.37 each, fully paid up and of the same category) through the issue of 311,500 new ordinary shares, because of (i) the exercise of 265,000 warrants between July 11, 2017 and December 31, 2017 in relation to the equity line and (ii) the issue of 46,500 new shares between July 11, 2017 and December 31, 2017 through the exercise of stock options.*

2.5.2. Changes in equity

The following table shows the changes in the Company's equity in 2017:

In thousands of euros	12/31/2016	Allocation of 2017 income	Other changes for the period	12/31/2017
Share capital	31,826	1,538	(23,930)	9,435
Additional paid-in capital	869	6,234		7,103
Revaluation reserves	1,455			1,455
Statutory reserve	875			875
Regulated reserves				
Other reserves	660			660
Retained earnings	(9,512)	(14,910)	23,930	(493)
Special tax-allowance provisions	86		(19)	67
Net income/(loss) for the period	(14,910)	14,910	6,494	6,494
Total	**11,349**	**7,772**	**6,475**	**25,596**

2.5.3. Shareholding structure

At December 31, 2017, the ownership of the Company's shares and associated voting rights forming its capital was as follows:

	Shares		Exercisable voting rights (theoretical*)	
	Number	%	Number	%
Glencore Finance Bermuda Ltd	7,703,877	30.21%	8,944,877	33.33%
Free float	17,772,666	69.70%	17,865,882	66.58%
Treasury shares	23,939	0.09%	23,939	0.09%
Total	**25,500,482**	**100%**	**26,834,698****	**100%**

** In accordance with article 223-11 of the AMF's General Regulations, the total number of voting rights is calculated on the basis of all shares to which voting rights attach, including treasury shares on which voting rights are not exercised. ** After December 31, 2017, the existence of a double-counting of the treasury shares has been found out. Further to the correction of this clerical mistake, the number of (theoretical) voting rights was amounting to 26,810,759 as at December 31, 2017.*

The 23,939 treasury shares that are not allocated under a bonus share plan gave rise to an €82,000 release of impairment provisions, on the basis of the average market price of Recylex shares in December 2017, i.e. €12.81.

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 covering 3% of the Company's share capital.

At December 31, 2017, the maximum number of new shares that could be issued under these stock options was as follows:

Date of grant	Number of options outstanding at 12/31/2016	Options cancelled	Options exercised	Options lapsed	Number of options outstanding at 12/31/2017	Exercise price *(in euros)*	Plan expiry
09/26/2008	445,000		149,500	30,000	265,500	5.70	09/26/2018
Total	**445,000**		**149,500**	**30,000**	**265,500**	**5.70**	

2.6. PROVISIONS (OTHER THAN THOSE ON NON-CURRENT ASSETS)

In thousands of euros	12/31/2016	Charges for the period	Provisions used	Provisions not used	Other movements	12/31/2017
Environmental costs*	15,800	907	(2,008)			14,699
Pension liabilities for miners	15		(2)			12
Pension liabilities	198	112	(13)			296
Other**	42,904	111	(34,602)	(17)		8,395
Provisions for contingencies and charges	**58,917**	**1,129**	**(36,626)**	**(17)**		**23,403**
Trade receivables	3,744					3,744
Other	1,750	131		(82)		1,799
Impairment provisions	**5,494**	**131**		**(82)**		**5,543**
TOTAL	**64,411**	**1,260**	**(36,626)**	**(99)**		**28,946**
Operating provisions		1,150	(2,023)	(17)		
Financial provisions				(82)		
Exceptional provisions		110	(34,602)			
TOTAL		**1,260**	**(36,626)**	**(99)**		

** Additional provisions for remediation work and recurring costs totaling €435,000 for former mines and €472,000 for the L'Estaque site. Reversals relating to remediation costs totaling €608,000 for former mining sites and €1,399,000 for the L'Estaque site. ** €26.7 million reversal of provisions following the fine imposed by the European Commission on February 8, 2017. €7.8 million reversal of provisions and €110,000 charge to provisions pursuant to judgments by the Douai Appeal Court on January 31, 2017 regarding former employees of Metaleurop Nord S.A.S.*

2.7. MATURITY SCHEDULE

In thousands of euros	Total at 12/31/2016	Total at 12/31/2017	Less than one year	One to five years	More than five years
Bank borrowings					
Other borrowings and financial liabilities*	8,582	16,110	110		16,000
Financial liabilities	**8,582**	**16,110**	**110**		**16,000**
Trade payables	6,229	5,951	5,951		
Tax and employee-related liabilities	1,140	1,404	1,404		
Other liabilities**	9,825	34,961	1,701	5,831	27,429
Operating liabilities	**17,195**	**42,317**	**9,056**	**5,831**	**27,429**
TOTAL LIABILITIES	**25,777**	**58,427**	**9,166**	**5,831**	**43,429**

** Total borrowings correspond to drawings made by Recylex S.A. against the €16 million loan facility granted by Glencore International AG, used to pay the final two installments under the continuation plan and pay damages due as a result of the Douai Appeal Court's judgments of January 31, 2017. ** Other liabilities include €25.9 million for the European Commission fine, €7.9 million related to continuation plan liabilities whose due date has been deferred, and €0.6 million relating to the clawback clause.*

2.8. ITEMS CONCERNING RELATED COMPANIES

In thousands of euros	12/31/2016 Net	Amount concerning related companies*
Equity investments	62,590	57,877
Loans and advances to investee companies	10,700	10,700
Trade receivables	7,269	7,197
Other receivables	4,422	3,500
Trade payables	5,951	43
Other liabilities	36,366	3,179
Operating revenue	95,110	90,352
Operating expense	94,021	160
Financial income	6,627	519
Financial expense	1,255	8

** Related companies are those which are more than 50%-owned (see Note 5).*

2.9. ACCRUED INCOME AND UNPAID EXPENSES

In thousands of euros	2017	2016
Accrued income included in balance sheet items		
Trade receivables		
Other operating receivables	38	149
Cash and cash equivalents	8	11
Accrued income	**46**	**161**
Unpaid expenses included in the balance sheet		
Other financial liabilities	110	59
Trade payables	3,417	3,353
Tax and employee-related liabilities	1,173	914
Other liabilities		
Unpaid expenses	**4,700**	**4,326**

3. NOTES TO THE INCOME STATEMENT

3.1. SALES

By business segment *In thousands of euros*	2017	2017
Production plants	89,806	57,760
Other	1,316	1,319
TOTAL	**91,122**	**59,079**

By geographical market *In thousands of euros*	2017	2016
France	2,696	2,036
International	88,426	57,043
TOTAL	**91,122**	**59,079**

3.2. FINANCIAL INCOME AND EXPENSE

In thousands of euros	2017	2016
Equity investments	6,000	4,609
Other marketable securities and receivables on assets	519	67
Other interest and similar income	26	225
Provision reversals	82	40
Financial income	**6,627**	**4,941**
Interest and similar expenses		
Charges to provisions		
Other interest and similar expenses*	(1,255)	(595)
Financial expense	**(1,255)**	**(595)**
NET FINANCIAL INCOME	**5,372**	**4,346**

** Interest on the loan facility granted by Glencore International and under the payment plan for the European Commission fine.*

3.3. NON-RECURRING INCOME AND EXPENSE

In thousands of euros	2017	2016
Other income and expense*	(34,472)	(695)
Net income/(expense) on operating activities	**(34,472)**	**(696)**
Divestments of non-current assets	(84)	(17)
Other		**(1,009)**
Net income/(expense) on capital transactions	**(84)**	**(1,026)**
Special provisions	19	22
Asset impairment		4,939
Provision relating to the clawback clause	104	2,621
Provision for the European Commission fine**	26,739	(26,739)
Provision for Metaleurop Nord S.A.S. litigation (claims of dismissal without fair cause)***	7,650	2,229
Provision for Metaleurop Nord S.A.S. litigation (claims for anxiety)		
Provisions for various risks	(70)	303
Net (charges to)/reversals of provisions	**34,442**	**(16,625)**
NET NON-RECURRING INCOME	**(114)**	**(18,346)**

** €26.7 million of charges relating to the European Commission fine and €7.7 million of damages paid to former employees of Metaleurop Nord S.A.S. pursuant to the Douai Appeal Court's judgments of January 31, 2017. ** €26.7 million reversal of provisions following the fine imposed by the European Commission on February 8, 2017. *** €7.7 million reversal of provisions pursuant to judgments by the Douai Appeal Court on January 31, 2017 regarding former employees of Metaleurop Nord S.A.S.*

4. OTHER DISCLOSURES

4.1. DIRECTORS' FEES

Directors' fees allocated by the Company to members of the Board of Directors amounted to €550,585.28 in 2017.

In its meeting on November 30, 2017, the Board of Directors noted the end of Yves Roche's terms of office as director, Chairman of the Board of Directors and CEO, and decided to co-opt Sebastian Rudow as director and to appoint him Chairman of the Board of Directors and CEO.

4.2. AVERAGE HEADCOUNT

	2017	2016
Workers	8	9
Clerical, technical and supervisory	15	12
Managers	15	16
TOTAL	**38**	**37**

4.3. PENSION LIABILITIES AND ACTUARIAL ASSUMPTIONS

	12/31/2017	12/31/2016
Discount rate	1.65%	1.55%
Pension liabilities *(in thousands of euros)*	266	165

4.4. OFF-BALANCE SHEET COMMITMENTS GIVEN AND UNDERTAKINGS RECEIVED

	12/31/2017	12/31/2016
Guarantees and similar commitments*	16,000	8,523
Forward currency purchases and sales		
Commitments given	**16,000**	**8,523**
Guarantees and similar commitments		
Forward currency purchases and sales		
Undertakings received	**-**	**-**

** 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, from which €16 million is drawn so far. On December 19, 2016, Recylex S.A. granted a second-ranking pledge over its shares in Recytech S.A. to Glencore International AG, notably in order to guarantee the repayment of the amount due with respect to 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 formed:

1. 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 period ended December 31, 2016)*;
2. a loan agreement under which Recylex S.A. has lent €10.7 million to Weser-Metall GmbH for the full term of the Loan;
3. a receivables subordination agreement between 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 create a financial guarantee to cover the security of its facilities and the treatment of waste materials on its site in the event of the discontinuation of its business, Recylex S.A. has undertaken, in the event of such discontinuation of business at Recytech S.A., to take ownership of 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. TAX

On October 1, 1994, the Company chose the tax consolidation group tax regime. At December 31, 2017, the group included C2P S.A.S., since Recylex Commercial S.A.S. was wound up through its absorption by Recylex S.A. with effect from January 1, 2017 for accounting and tax purposes. 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 2017, the benefit to Recylex S.A. of tax consolidation was €148,000.

4.6. TAX ASSETS AND LIABILITIES

4.6.1. Nature of temporary differences between tax treatment and accounting treatment

	Opening period		Variations		Closing period	
In thousands of euros	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Variations of deferred tax						
1. Special tax-allowance provisions						
Excess tax depreciation on property, plant and equipment and intangible assets		86	19			67
2. Provisions not deductible in the year of recognition						
Employee-related provisions	186		112	20	279	
Impairment of non-current financial assets	246,710		70		246,780	
Provisions for contingencies and charges	57,654		582	36,561	21,675	
Other	1,188		238	74	1,352	
TOTAL	**305,738**	**86**	**1,021**	**36,655**	**270,085**	**67**

4.6.2. Liabilities of the entire French tax consolidation group

In thousands of euros	Opening period	Variations	Closing period
Evergreen tax loss carryforwards	(148,635)	(6,892)	(155,527)
Tax rate: 33.33%			

4.7. RESCHEDULED LIABILITIES 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 clause provides that from and including December 31, 2015, Recylex S.A. will allocate 20% of its cash at December 31 of each financial year to repayment of the waived debt on a pari passu basis between the creditors who have requested the clawback provision, 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, 2017, Recylex S.A. recognized a liability relating to the clawback clause in an amount of €555,000, 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. Probable repayments under the clawback clause from December 31, 2017 have been calculated on the basis of the Business Plan drawn up by the Company and normalized cash flows thereafter. It should be noted that given the limited variation in the Business Plan and more particularly 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. As at 31st December 2017, the claw back clause is estimated at €3,649,000, of which €3,094,000 are booked in provision for contingencies and charges.

5. LIST OF SUBSIDIARIES AND EQUITY INVESTMENTS AT DECEMBER 31, 2017

In thousands of euros	Share capital	Shareholders' equity excluding share capital	Percentage of equity held	Book value of shares	Net value of shares	Gross loans and advances given	Net loans and advances given	Guarantees and deposits given	Sales for the last financial year	Net income for last financial year	Dividends received
1. Subsidiaries (more than 50% equity interest)											
France											
C2P S.A.S.	900	3,799	100%	1,708	1,708				11,028	295	
International											
Recylex Beteiligungsgsellschaft 1 mbH, Germany	25	53,169	100%	53,194	53,194				0	(3)	
Recylex Beteiligungsgsellschaft 2 mbH, Germany	25	2,798	100%	2,823	2,823				0	(3)	
Fonderie et Manufacture de Métaux S.A., Belgium	475	(2,142)	100%	1,867	0					879	
2. Equity investments (50% equity interest or less)											
France											
Recytech S.A. France	6,240	22,136	50%	4,865	4,865				52,499	21,039	6,000
International											
Eco Recyclage SPA, Algeria	540	222	33%	205	0				0	-239	
3. Non-consolidated companies											
Metaleurop International Finance BV, Netherlands				253	0						
Metaleurop Nord S.A.S. (in liquidation), France	16,769	N/A	100%	59,511	0	130,254	0		0	N/A	
Peñarroya España (in liquidation), Spain				33,872		20,354					
Total equity, loans and advances				**158,298**	**62,590**	**150,608**					

6. ENVIRONMENTAL INFORMATION

6.1. BACKGROUND

Recylex S.A. directly manages two operational sites in France – one in Villefranche-sur-Saône (in the Rhône department) and one in Escaudoeuvres (in the Nord department) – and the L'Estaque site in Marseille (in the Bouches-du-Rhône department), which has been closed since 2001. Two other sites are managed by subsidiaries: one at Villefranche-sur-Saône, managed by C2P S.A.S., and one at Fouquières-lès-Lens (Pas-de-Calais department), managed by Recytech S.A. (50%-owned by Recylex S.A.).

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, 2017, Recylex S.A. was still responsible for ten mining concessions.

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 requirements. 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, 2017, environmental provisions recognized by Recylex S.A. totaled €14,699,000 in total, covering the present value of all foreseeable expenditure based on the regulatory timeframe, which may last until 2029.

The amounts recognized represent the best estimates based on reports and technical studies by independent experts. Expenditure recognized in 2017 amounted to €2,008,000, covering the cost of surveys and of work to minimize environmental impacts and restore sites, along with the cost of operating long-standing pollution treatment facilities.

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 regulations, the interpretation and application of regulations by the authorities, 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

Recylex S.A. still holds mining concessions on 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 covering the entire former mining site remediation program came to €4,830,000 at December 31, 2017.

In thousands of euros	2017	2016
Total provisions	4,830	5,003

At the end of 2017, Recylex S.A. had mining rights at nine concessions and one operating permit having given up eighteen concessions since 2005. Work has been completed at seven concessions, inspection certificates have been obtained, and the mining waiver certificate from the administrative authorities is pending. Expenditure incurred in 2017 for the remediation of former mines came to €608,000.

6.3.2. Monitoring of contingent liabilities relating to former mining sites

At December 31, 2017, the Company was not aware of any actual or potential obligation that could constitute a contingent liability.

6.4. DISCONTINUED SITE AT L'ESTAQUE

Following the discontinuation of operations at the L'Estaque facility in February 2001, a Prefect's order supplementary to the order issued on December 23, 2002 defining the program to remediate the site was issued by the Prefect on February 6, 2012, determining the timetable for works to December 31, 2015. A request to defer the completion date for the remediation work at this site was made in the second half of 2015 with the relevant authorities (see Note 32 to the consolidated financial statements for the period ended December 31, 2016). In February 2016, the Company received the order supplementing the Prefect's initial order, extending the work completion date to December 31, 2018.

In June 2012, a contract was signed with a specialist contractor for the construction and operation of a first storage cell. In 2014, a second cell was built and partially filled. After a period during which work stopped, Recylex S.A. resumed excavation work and the filling of the second cell in the second half of 2017. The aggregate amount of provisions (before discounting) covering the entire remediation program at L'Estaque came to €9,868,000 at December 31, 2017. These amounts include an increase of the provision in 2017 by €472,000 and are the best available estimates, based on technical reports by independent experts.

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 business.

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, 2017, Recylex S.A. recognized a long-term financial asset corresponding to the first four tranches in a total amount of €350,000. That asset is written down in full, as the use of this financial guarantee, linked to a situation of discontinuation of the business, is not situated in a defined period.

6.6. OTHER ENVIRONMENTAL INFORMATION

Recylex S.A. was not granted any public environmental funds or subsidies from a government body in 2017.

7. OTHER DISCLOSURES

7.1. INVENTORY OF SECURITIES AT DECEMBER 31, 2017

In thousands of euros	Book value on balance sheet
1. Subsidiaries and affiliates	
Foreign	
Recylex Beteiligungsgesellschaft Eins mbH	53,194
Recylex Beteiligungsgesellschaft Zwei mbH	2,823
Fonderie et Manufacture de Métaux S.A.	
Sub-total	**56,017**
French	
Metaleurop Nord S.A.S.	
Recytech S.A.	4,865
C2P S.A.S.	1,708
Sub-total	**6,573**
TOTAL SUBSIDIARIES AND AFFILIATES	**62,590**
2. Long-term investments and investment securities	
Long-term investments	9
Treasury shares	163
Other marketable securities	
TOTAL LONG-TERM INVESTMENTS AND INVESTMENT SECURITIES	**172**
TOTAL MARKETABLE SECURITIES	**62,762**

7.2. APPROPRIATION OF INCOME

In thousands of euros	12/31/2017
1. Net income/(loss) for the period	6,494
of which after-tax income from operations	6,608
2. Appropriation to retained earnings	6,425
3. Addition to the statutory reserve	68

STATUTORY AUDITORS' REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

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.

To the General Assembly of shareholders of Recylex S.A.,

OPINION

In compliance 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 31 December 2017.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2017 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

BASIS FOR OPINION

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1 Janaury 2017 to the date of our report and specifically 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 *(code de déontologie)* for statutory auditors.

Furthermore, the non-audit services that we provided to your Company and its controlled undertakings during the financial year that are not disclosed in the management report or in the notes to the financial statements are as follows:

- issuance of the Independent Third Party Organisation's report on social, environmental, and societal information provided pursuant to Article L.225-102-1 of the French Commercial Code *(code de commerce)* (service provided by KPMG);
- issuance of attestations on accounting and financial information and delivery of tax services permitted by local legislation (service provided by Deloitte Germany).

JUSTIFICATION OF ASSESSMENTS - KEY AUDIT MATTERS

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 of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Assessment of provisions for contingencies and charges

Identified risks

The company is exposed to risks, litigations or disputes relating to the Metaleurop Nord SAS shutdown.

These risk, litigations or disputes can have a significant impact on the statutory financial statements. Their assessment by the Company and the resulting amount accrued as of 31st December 2017 are detailed in the paragraph "Ongoing litigations" of the note "Significant events" of the statutory financial statements, in the paragraph "Provisions for contingencies and charges" of Note 1 "Accounting policies".

We have considered this topic as a key audit matter given the concerned amounts and the degree of judgment required by the Management for the determination of the provisions with respect to the progress of the judicial proceedings and the evolution of the regulatory environment.

Our answer

Our work mainly consisted in:

- familiarizing ourselves (i) with the processes implemented by the company in order to identify and to list the risks related to the Metaleurop Nord S.A.S. shutdown that may significantly affect the financial statements, (ii) with the risks analysis performed by the company and (iii) with the related documentation;
- appreciating the analysis conducted by the company and examining the reasonableness of the risk assessment that was done based on past experience, of similar rulings and of written confirmations received from external legal counsels of the company;
- appreciating the potential impact on this risk assessment of the Court decisions delivered subsequently to the closing date until the date of our report and described in the notes here above.

At last, we have appreciated the appropriateness of the information related to these risks disclosed in the notes mentioned here above.

VERIFICATION OF THE MANAGEMENT REPORT AND OF THE OTHER DOCUMENTS PROVIDED TO YOU

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

Information given in the management report and in the other documents provided to the Shareholders with respect to the financial position and the financial statements

We have no matters to report as to 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 provided to the Shareholders with respect to the financial position and the financial statements.

Information relating to corporate governance

We attest that the corporate governance section of the management report sets out 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 (code de commerce) relating to remunerations and benefits received by the directors and any other commitments made in their favour, 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 these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your company considered likely to have an impact in the event of a public purchase offer or exchange, provided pursuant to Article L.225-37-5 of the French Commercial Code, we have agreed these to the source documents communicated to us. Based on our work, we have no observations to make on this information.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Metaleurop S.A. (that became Recylex S.A. in 2007) by the annual general meeting held on 30 March 2000 for Deloitte & Associés audit firm and on 13 February 1995 for KPMG audit firm.

As at 31 December 2017, Deloitte & Associés audit firm was in the 18th year with no interruption and KPMG audit firm was in the 24th year given the succession of terms that occurred 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 risks 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

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code *(code de commerce)*, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;.
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 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 provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code *(code de commerce)* and in the French Code of Ethics *(code de déontologie)* for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense and Neuilly-sur-Seine, April 13, 2018
French original signed by the statutory auditors

KPMG Audit ID
Alexandra Saastamoinen
Partner

Deloitte & Associés
Laurent Odobez
Partner

DRAFT RESOLUTIONS SUBMITTED TO THE COMBINED GENERAL MEETING OF JUNE 5, 2018

RESOLUTIONS TO BE CONSIDERED BY THE ORDINARY GENERAL MEETING

FIRST RESOLUTION

(Approval of the parent company financial statements for the year ended December 31, 2017)

Having heard the Board of Directors' report on the Company's management and the Statutory Auditors' report on the parent company financial statements, and having examined the financial statements for Recylex S.A. for the year ended December 31, 2017, 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, approves the said financial statements as presented, as well as all operations represented therein and mentioned in the said reports.

The Ordinary General Meeting records net income of €6,493,991.45 for 2017.

Consequently, it ratifies the Directors' acts of management in respect of the said year.

SECOND RESOLUTION

(Approval of the consolidated financial statements for the year ended December 31, 2017)

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 year ended December 31, 2017, 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, 2017, as reflected in the parent company financial statements)

Having heard the Board of Directors' report and the Statutory Auditors' report on the parent company financial statements, the Ordinary General Meeting, acting under the required quorum and majority conditions, hereby:

- recognizes the net income for the year ended December 31, 2017, amounting to €6,493,991.45;
- resolves to appropriate €68,494.94 to the statutory reserve, thereby increasing it to €943,517.83 (10% of share capital);
- recognizes, given the negative retained earnings brought forward of €493,311.63, that the amount of the profit available for distribution in respect of FY 2017 stands at €5,932,184.88;
- resolves to appropriate the entire profit available for distribution of €5,932,184.88 to the retained earnings account, which consequently shows a credit balance after appropriation of €5,932,184.88.

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 €25,140.

The General Meeting, in accordance with the law, duly notes that no dividends have 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.

FIFTH RESOLUTION

(Reappointment as a director of Jean-Pierre Thomas)

The Ordinary General Meeting, acting under the required quorum and majority conditions, formally notes that the term in office as a director of Jean-Pierre Thomas comes to an end at the date of this Meeting and resolves to reappoint Jean-Pierre Thomas as a director for a term in office of three (3) years until the close of the General Meeting convened to approve the financial statements for the year ending on December 31, 2020.

SIXTH RESOLUTION

(Ratification of the co-option of Sebastian Rudow as a director)

The Ordinary General Meeting, acting under the required quorum and majority conditions, ratifies the co-option of Sebastian Rudow as a director, replacing Yves Roche, for the remainder of the latter's term in office, that is until the General Meeting convened to approve the financial statements for the year ending on December 31, 2019.

SEVENTH RESOLUTION

(Approval of remuneration paid or awarded in respect of FY 2017 to Yves Roche)

The Ordinary General Meeting, acting under the required quorum and majority conditions, deliberating in accordance with Article L. 225-100 of the Commercial Code, approves the fixed, variable and exceptional components of the total remuneration and benefits of any kind paid or awarded in respect of FY 2017 until November 30, 2017 to Yves Roche for his appointment as Chairman and Chief Executive Officer as set forth in section 2.9 of the Company's management report entitled "Corporate governance disclosures" as stated in Article L. 225-37 of the Commercial Code.

EIGHTH RESOLUTION

(Approval of remuneration paid or awarded in respect of FY 2017 to Sebastian Rudow)

The Ordinary General Meeting, acting under the required quorum and majority conditions, deliberating in accordance with Article L.225-100 of the Commercial Code, approves the fixed, variable and exceptional components of the total remuneration and benefits of any kind paid or awarded in respect of FY 2017 from November 30, 2017 onwards to Sebastian Rudow for his appointment as Chairman and Chief Executive Officer as set forth in section 2.9 of the Company's management report entitled "Corporate governance disclosures" as stated in Article L. 225-37 of the Commercial Code.

NINTH RESOLUTION

(Approval of the principles and criteria for the determination, allocation and award of the fixed, variable and exceptional components of the total remuneration and benefits of any kind attributable in respect of FY 2018 to the Chairman and Chief Executive Officer)

The Ordinary General Meeting, acting under the required quorum and majority conditions, approves in accordance with Article L 225-37-2 of the Commercial Code, the principles and criteria for the determination, allocation and award of the fixed, variable and exceptional components of the total remuneration and benefits of any kind attributable in respect of FY 2018 to the Chairman and Chief Executive Officer in respect of his appointment as set forth in section 2.9 of the Company's management report entitled "Corporate governance disclosures" as stated in Article L. 225-37 of the Commercial Code.

TENTH RESOLUTION

(Appointment of KPMG S.A. as principal Statutory Auditor)

The Ordinary General Meeting, acting under the required quorum majority conditions, after formally noting that the appointment of KPMG Audit ID (registered on the Nanterre Trade and Companies Register under no. 512 802 489) comes to an end at the close of this Meeting, resolves not to renew its mandate and to appoint KPMG S.A., Tour EQHO, 2 avenue Gambetta, CS 60055, 92066 Paris La Défense Cedex, registered on the Nanterre Trade and Companies Register under no. 775 726 417 as principal Statutory Auditor for a term in office of six (6) financial years until the close of the General Meeting convened to approve the financial statements for the year ending on December 31, 2023.

ELEVENTH RESOLUTION

(Reappointment of Deloitte & Associés as principal Statutory Auditor)

The Ordinary General Meeting, acting under the required quorum majority conditions, after formally noting that the appointment of Deloitte & Associés (S.A.), 185 avenue Charles de Gaulle, 92200 Neuilly-sur-Seine, registered on the Nanterre Trade and Companies Register under no. 572 028 041, comes to an end at the close of this Meeting, resolves to reappoint Deloitte & Associés (S.A.) as principal Statutory Auditor for a term in office of six (6) financial years until the close of the General Meeting convened to approve the financial statements for the year ending on December 31, 2023.

TWELFTH RESOLUTION

(Authorization for the Board of Directors to buy or transfer shares of Recylex S.A.)

The Ordinary General Meeting, acting under the required quorum and majority conditions, having heard the Board of Directors' report and the information in the program details prepared in accordance with Article L. 451-3 of the Monetary and Financial Code and Article 241-1 et seq. of the AMF's General Regulation:

- authorizes the Board of Directors to purchase or to arrange for the purchase of the Company's shares in accordance with Articles L. 225-209 et seq. of the Commercial Code under the conditions defined hereinafter and subject to an upper limit of 10% of the Company's share capital at the date of the General Meeting;
  - the maximum purchase price must not be any higher than €10 per share, it being stipulated that in the event of any capital transactions, involving capitalization of reserves and free share allotments, and/or stock splits or consolidation of shares, the price shall be adjusted accordingly;
  - the maximum amount of the funds committed to the share repurchase program stands at €5,000,000;
  - this authorization is valid for a period of eighteen (18) months effective from the date of the General Meeting;
  - the acquisitions by the Company pursuant to this authorization may not in any circumstances lead it to hold, directly or indirectly, at any time, over 10% of the shares making up the share capital at the date under consideration;
  - such shares may be acquired or transferred, in any way, namely on the market or in a private transaction, by block purchases or sales, via derivatives traded on a regulated market or in a private transaction provided that such transactions are carried out according to the rules and regulations in force at the time of the relevant transactions, and at such times as the Board of Directors or their delegated representative shall decide, except during periods of public offers for the Company's shares.

These share purchases may be made for any purpose permitted in law, with the objectives of this share repurchase program being to:

- establish and fulfill obligations with respect to stock option plans or other plans to allot shares to employees and corporate officers of the Company or other affiliated companies of the Recylex Group under (i) a corporate profit sharing plan and (ii) any plan involving stock purchases, options or free share allotments (including any stock transfer under Article L. 3332-24 of the French Labor Code) offered to some or all employees or corporate officers, and to carry out any hedging transactions in connection therewith;
- reduce the Company's share capital by canceling shares, as set out in the Thirteenth Resolution submitted for approval to this General Meeting, subject to said resolution's adoption;
- provide liquidity for the Company's shares through an investment services provider by way of a liquidity contract drafted according to the Compliance Charter recognized by the *Autorité des Marchés Financiers*;
- hold shares in reserve for future exchanges or payment in connection with any corporate acquisitions;
- establish and fulfill obligations with respect to debt instruments convertible into equity securities and to remit the Company's shares pursuant to the exercise of any rights attaching to securities giving immediate or future access to shares, and to carry out any hedging transactions in respect of any of the Company's obligations in connection with such securities.

The Ordinary General Meeting grants all necessary powers to the Board of Directors, which may be delegated, to decide and implement this authorization, to stipulate, where appropriate, the terms and conditions and determine the arrangements, to place any stock market orders, enter into any agreements, prepare any documents, including for informational purposes, make allocations, and where appropriate reallocate shares acquired for the various intended purposes, perform any formalities and make any declarations to any authorities, and, generally, take whatever action is required.

RESOLUTIONS TO BE CONSIDERED BY THE EXTRAORDINARY GENERAL MEETING

THIRTEENTH RESOLUTION

(Authorization for the Board of Directors to reduce the Company's share capital by canceling shares)

Having heard the Board of Directors' report and the Statutory Auditors' special report, the Extraordinary General Meeting, acting under the required quorum and majority conditions and in accordance with Article L. 225-209 of the Commercial Code, hereby:

- delegates all necessary powers to the Board of Directors to cancel, on one or more occasions, subject to an upper limit of 10% of the Company's share capital per 24-month period, some or all of the Recylex S.A. shares acquired under the share repurchase programs authorized pursuant to the Twelfth Resolution submitted for approval at this General Meeting and those acquired under a share repurchase program authorized prior or subsequent to the date of this General Meeting,
- resolves that the amount by which the purchase cost of the shares exceeds their par value will be recognized in the Share

premiums account or any other available reserves, including the statutory reserve, subject to a maximum of 10% of the reduction in capital for the latter;

- delegates to the Board of Directors all necessary powers, which may be delegated as provided for in law, to carry out the reduction in capital resulting from the cancellation of shares, to determine the arrangements for it, to duly note its completion, carry out the aforementioned appropriation, amend the Articles of Association accordingly, carry out all the requisite formalities and, generally, take whatever action is required to implement this authorization; and
- sets the period of this delegated authority at 24 months with effect from the date of this authorization.

FOURTEENTH RESOLUTION

(Authorization for the Board of Directors to allot the Company's shares free of charge)

After hearing the Board of Directors' report and the Statutory Auditors' special report, the Extraordinary General Meeting, acting under the required quorum and majority conditions and in accordance with Articles L. 225-197-1 et seq. of the Commercial Code:

- terminates, with immediate effect, the unused portion of the authorization given by the General Meeting of July 11, 2017 in its Fifteenth Resolution;
- authorizes the Board of Directors, which may delegate this authority as provided for in law, to carry out, on one or more occasions and as it deems fit, subject to the restrictions laid down in this authorization, new or existing shares in the Company free of charge, as provided for below;
- resolves that the allottees shall be employees or corporate officers of the Company or of other French or non-French companies or groupings affiliated with it as defined in Article L. 225-197-2 of the Commercial Code or of certain categories of such companies;
- resolves that the total number of shares that may be allotted free of charge under this authorization may not amount to more than 3% of the Company's share capital at the date of this General Meeting;
- resolves that the shares awarded free of charge to the Company's Chairman and Chief Executive Officer may not account for more than 1% of the Company's share capital at the date of this General Meeting;
- resolves that the Board of Directors shall determine the vesting period, which may be no shorter than one (1) year and, where appropriate, the holding period, it being specified that the overall duration of the vesting and holding periods may be no shorter than two (2) years;
- resolves that the shares may be awarded definitively prior to the end of the vesting period should the allottee suffer a disability meeting the conditions laid down in law or die;
- resolves that the existing shares that may be awarded pursuant to this resolution must be acquired by the Company, either pursuant to Article L. 225-208 of the Commercial Code or, as appropriate, under the share repurchase program authorized pursuant to the Twelfth Resolution, provided that said resolution is adopted by this General Meeting, pursuant to Article L. 225-209 of the Commercial Code or any other share repurchase program applicable previously or subsequently;
- takes due note thereof and resolves, as appropriate, that, for the benefit of the allottees of new or existing shares, this authorization entails the waiver by shareholders of: (i) their preferential subscription right to the shares to be issued as and when the shares vest definitively, (ii) any rights to the shares to be allotted free of charge on the basis of this authorization, and (iii) any right to the amount of any reserves and premiums recognized in respect of the issue of the new shares;
- resolves that one or more performance conditions to be set by the Board of Directors must be met as a condition before the shares allotted pursuant to this resolution vest definitively with all the beneficiaries;
- grants full powers to the Board of Directors, which may be delegated as provided for in law, to implement this authorization, within the restrictions laid down above, for the purpose of:
  - setting the terms and conditions and, where appropriate, the criteria for allotment of the shares;
  - setting, as provided for in law and subject to the statutory restrictions, the dates on which the free share allotments shall be made;
  - deciding the date from which the newly issued shares shall carry dividend rights, even retrospectively;
  - determining the identity of the allottees, the number of shares to be awarded to each of them, the arrangements for allotment of the shares and in particular the vesting and, where appropriate, holding periods applicable to the shares to be awarded free of charge;
  - deciding to carry out one or more increases in the Company's share capital resulting from the allotments of free shares to be issued by the Company pursuant to this resolution;
  - adjusting, as appropriate, the number of shares to be allotted should transactions affecting the Company's share capital or equity lead to a change in the value of the shares making up the share capital in order to protect the rights of the allottees of the shares awarded free of charge;
  - carrying out the publication and filing formalities associated with the increase(s) in the Company's share capital resulting from allotments free of charge of shares to be issued by the Company pursuant to this resolution and to amend the Articles of Association accordingly, and
  - more generally, entering into any agreements, drafting any documents, completing any formalities and making any statements to any relevant bodies and taking whatever other action is required;
- sets the validity period of this delegated authority at thirty-eight (38) months with effect from the date of this authorization.

The Board of Directors shall inform the General Meeting of the Shareholders every year of any allotments conducted pursuant to this resolution in accordance with Article L. 225-197-4 of the Commercial Code.

RESOLUTIONS TO BE CONSIDERED BY THE ORDINARY AND EXTRAORDINARY GENERAL MEETING

FIFTEENTH 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.

BOARD OF DIRECTORS' REPORT TO THE COMBINED GENERAL MEETING OF JUNE 5, 2018 ON THE DRAFT RESOLUTIONS

To the Shareholders,

We have convened a Combined General Meeting to report to you on the activities of Recylex S.A. (hereinafter, the "Company") and its subsidiaries during the year from January 1, 2017 through to December 31, 2017, and to submit for your approval the parent company and consolidated financial statements for that period.

We have also convened this meeting to request that you approve:

- the reappointment and the ratification of the co-option of certain directors;
- the remuneration paid or awarded in respect of FY 2017 to Yves Roche and Sebastian Rudow;
- the principles and criteria for the determination, allocation and award of the fixed, variable and exceptional components of the total remuneration and benefits of any kind attributable in respect of FY 2018 to the Chairman and Chief Executive Officer;
- the appointment of one of the Company's Statutory Auditors and the reappointment of one of the Company's Statutory Auditors;
- authorization for the Board of Directors to buy or transfer shares of Recylex S.A. under a share buyback program implemented by the Company;
- authorization for the Board of Directors to reduce the Company's share capital by canceling shares, and
- authorization for the Board of Directors to allot the Company's shares free of charge.

You have been informed of the business activities of the Company and its subsidiaries during the year that ended on December 31, 2017 and since the beginning of the current year in our management report, which was sent to you in accordance with the law.

The purpose of this report is to present you with the draft resolutions you are being asked to approve.

MATTERS CONCERNING THE ORDINARY GENERAL MEETING

I. Approval of the parent company and consolidated financial statements (First, Second and Third resolutions)

The Board of Directors requests that the General Meeting approve the parent company and consolidated financial statements for the year ended December 31, 2017, as drawn up by the Board of Directors, and requests that the General Meeting, given the FY 2017 net income of €6,493,991.45, (i) transfer €68,494.94 to the statutory reserve to increase it to €943,517.83 (10% of the share capital), (ii) record, given the negative retained earnings of €493,311.63, that the amount of profit available for distribution in respect of FY 2017 stands at €5,932,184.88, and (iii) appropriate the entire amount of the profit available for distribution, that is €5,932,184.88, to the retained earnings account, which would show a credit balance of €5,932,184.88 after appropriation.

In accordance with the provisions of law, the Board of Directors requests that the General Meeting approve the amount of costs and expenses covered by Article 39-4 of the General Taxation Code, which are not deductible from income for tax purposes and which amounted to €25,140 for the year ended December 31, 2017.

No dividend has been paid for the past three years.

II. Approval of the related party agreements referred to in article l. 225-38 Et seq. Of the commercial code (Fourth resolution)

The Board of Directors requests that the General Meeting note the conclusions of the special report of the Statutory Auditors on the related party agreements referred to in Articles L. 225-38 et seq. of the Commercial Code, and approve the agreements mentioned therein.

In accordance with Article L. 225-40 of the Commercial Code, it is hereby noted that the related parties concerned must abstain from voting on this resolution.

III. Reappointment as a director of Jean-Pierre Thomas (Fifth resolution)

The Board of Directors requests that the General Meeting reappoint as a director Jean-Pierre Thomas for a term in office of three (3) years until the close of the General Meeting convened to approve the financial statements for the year ending on December 31, 2020.

IV. Ratification of the co-option of Sebastian Sudow as a director (Sixth resolution)

The Board of Directors requests that the General Meeting ratify the co-option by the Board of Directors at its meeting on November 30, 2017 of Sebastian Rudow as a director replacing Yves Roche.

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 held a Partner position at Wellensiek, since November 2014, where he was focused on advising directors, shareholders and boards in special corporate situations.

During the past ten years, in addition to his consulting activities, he held directorship positions across various industries.

Sebastian Rudow is the Company's Chairman and Chief Executive Officer.

Sebastian Rudow owns 200 of the Company's shares.

V. Approval of the remuneration paid or awarded in respect of FY 2017 to Yves Roche and Sebastian Rudow (Seventh and Eighth resolution) (retrospective vote)

The Board of Directors asks the General Meeting to approve the fixed, variable and exceptional components of the total remuneration and benefits of any kind paid or awarded in respect of FY 2017 to Yves Roche, Chairman and Chief Executive Officer until November 30, 2017, and Sebastian Rudow, Chairman and Chief Executive Officer since November 30, 2017, in accordance with Article L. 225-100 of the Commercial Code.

Full details of the remuneration paid or awarded in respect of FY 2017 to Yves Roche and Sebastian Rudow are provided in section 2.9 of the Company's management report, presented together with this report to the General Meeting entitled "Corporate governance disclosures" as required in Article L. 225-37 of the Commercial Code.

Pursuant to Article L. 225-37-2 of the Commercial Code, it is hereby stated that payment of the aforementioned variable and exceptional components of remuneration is contingent, for both the individuals concerned, upon your approval of the remuneration components in respect of the year ended on December 31, 2017, as provided for in Article L. 225-100 of the Commercial Code.

VI. Approval of the principles and criteria for the determination, allocation and award of the fixed, variable and exceptional components of the total remuneration and benefits of any kind attributable in respect of FY 2018 to the chairman and chief executive officer (Ninth resolution) (vote in advance)

The Board of Directors requests that the General Meeting approve the principles and criteria for the determination, allocation and award of the fixed, variable and exceptional components of the total remuneration and benefits of any kind attributable in respect of FY 2018 to the Chairman and Chief Executive Officer, in accordance with Article L. 225-37-2 of the Commercial Code.

These principles and criteria for the determination, allocation and award of the fixed, variable and exceptional components of the total remuneration and benefits of any kind attributable in respect of FY 2018 to the Chairman and Chief Executive Officer are shown in detail in section 2.9 of the Company's management report, presented together with this report to the General Meeting entitled "corporate governance disclosures" as required in Article L. 225-37 of the Commercial Code.

For more details concerning the free shares that may be allotted to the Chairman and Chief Executive Officer, we kindly request that you refer to the comment hereinafter concerning the authorization you are being asked to give to the Board of Directors for the purpose of allotting the Company's shares free of charge (Fourteenth Resolution).

Pursuant to Article L. 225-37-2 of the Commercial Code, it is hereby stated that payment to the Chairman and Chief Executive Officer of the aforementioned variable and exceptional components of remuneration is contingent upon the approval by a subsequent Ordinary General Meeting of the remuneration components concerning him as provided for in Article L. 225-100 of the Commercial Code (that is approval by the General Meeting due to be convened in 2019 of the variable and exceptional components of total remuneration paid or due to be paid to him in respect of the year ending on December 31, 2018).

VII. Appointment of one of the company's statutory auditor and reappointment of one of the company's statutory auditors (Tenth and Eleventh resolutions)

The appointments of the principal Statutory Auditors, namely KPMG Audit ID and Deloitte & Associés, expire at the close of the General Meeting.

The Board of Directors requests that the General Meeting (i) appoint KPMG S.A. as principal Statutory Auditor (in replacement of KPMG Audit ID whose mandate would not be renewed) and (ii) reappoint Deloitte & Associés as principal Statutory Auditor for a term in office of six (6) years until the close of the General Meeting convened to approve the financial statements for the year ending on December 31, 2023.

In accordance with Article L. 225-228 of the Commercial Code, these proposals and the related draft resolutions were passed at a meeting of the Board of Directors on April 13, 2018 without Sebastian Rudow, Chairman and Chief Executive Officer and also a director of the Company, taking part in the vote.

The appointment of KPMG S.A. and the reappointment of Deloitte & Associés were recommended by the Company's Audit Committee.

The appointments as alternate Statutory Auditors of KPMG Audit Nord and BEAS also expire at the close of the General Meeting. Insofar as the appointment of alternate Statutory Auditors is no longer mandatory following the entry into force of law no. 2016-1691 of December 9, 2016 where the principal Statutory Auditors are multi-person companies, the General Meeting is not asked to reappoint KPMG Audit Nord and BEAS as alternate Statutory Auditors.

VIII. Authorization for the board of directors to buy or transfer recylex sa shares (Twelfth resolution)

The Board of Directors requests that the General Meeting authorize the Board of Directors to purchase or to arrange for the purchase of the Company's shares in accordance with Articles L. 225-209 et seq. of the Commercial Code under the conditions defined hereinafter and subject to an upper limit of 10% of the Company's share capital at the date of said General Meeting:

- the maximum purchase price should not be any higher than €10 per share, it being stipulated that in the event of any capital transactions, involving capitalization of reserves and free share allotments, and/or stock splits or consolidation of shares, the price would be adjusted accordingly;
- the maximum amount of the funds committed to the share repurchase program would stand at €5,000,000;
- this authorization would be valid for a period of eighteen (18) months effective from the date of the General Meeting;
- the acquisitions by the Company pursuant to this authorization may not in any circumstances lead it to hold, directly or indirectly, at any time, over 10% of the shares making up the share capital at the date under consideration;
- such shares may be acquired or transferred, in any way, namely on the market or in a private transaction, by block purchases or sales, via derivatives traded on a regulated market or in a private transaction provided that such transactions are carried out according to the rules and regulations in force at the time of the relevant transactions, and at such times as the Board of Directors or their delegated representative decide, except during periods of public offers for the Company's shares.

These share purchases may be made for any purpose permitted in law, with the objectives of this share repurchase program being to:

- to establish and fulfill obligations with respect to stock option plans or other plans to allocate shares to employees and corporate officers of the Company or other affiliated companies, including to allot shares to employees and corporate officers of the Recylex Group, under (i) a corporate profit sharing plan and (ii) any plan involving stock purchases, options or free share allotments (including any stock transfer under Article L. 3332-24 of the French Labor Code) offered to some or all employees or corporate officers, and to carry out any hedging transactions in connection therewith;
- to reduce the Company's share capital by canceling shares, as set out in the Thirteenth Resolution submitted for approval to this Shareholders' Meeting, subject to said approval;
- to provide liquidity for the Company's shares through an investment services provider by way of a liquidity contract drafted according to the Compliance Charter recognized by the *Autorité des Marchés Financiers*;
- to hold shares in reserve for future exchanges or payment in connection with any corporate acquisitions;
- to establish and fulfill obligations with respect to debt instruments convertible into equity securities and to remit the Company's shares pursuant to the exercise of any rights attaching to securities giving immediate or future access to shares, and to carry out any hedging transactions in respect of any of the Company's obligations in connection with such securities.

Pursuant to this authorization, you are asked to grant all necessary powers to the Board of Directors, which may be delegated, to decide and implement this authorization, to stipulate, where appropriate, the terms and conditions and determine the arrangements, to place any stock market orders, enter into any agreements, prepare any documents, including for informational purposes, make allocations, and where appropriate reallocate shares acquired for the various intended purposes, perform any formalities and make any declarations to any authorities, and, generally, take whatever action is required.

MATTERS CONCERNING THE EXTRAORDINARY GENERAL MEETING

IX. Authorization for the board of directors to reduce the share capital by canceling shares (Thirteenth resolution)

Pursuant to Article L. 225-209 of the Commercial Code, the Board of Directors requests the delegation of all necessary powers to it to cancel, on one or more occasions, some or all of the Recylex S.A. shares acquired under the share repurchase programs authorized pursuant to the Thirteenth Resolution submitted for your approval at this General Meeting and those acquired under a share repurchase program authorized previously or subsequently to the date of this General Meeting.

Pursuant to the law, only up to 10% of the Company's share capital may be canceled in any 24-month period.

The amount by which the purchase cost of the shares exceeds their par value would be set recognized in the Share premiums account or any other available reserves, including the statutory reserve, subject to a maximum of 10% of the reduction in capital for the latter.

Pursuant to this authorization, you are asked to give the Board of Directors all necessary powers, which may be delegated pursuant to the statutory requirements, to carry out the reduction in capital resulting from the cancellation of shares, to determine the arrangements for it, to duly note its completion, carry out the aforementioned offset, amend the Articles of Association accordingly, complete all the requisite formalities and, generally, take whatever action is required to implement this authorization.

This authorization would be granted for a period of 24 months.

X. Authorization for the board of directors to allot the company's shares free of charge (Fourteenth resolution)

The Board of Directors requests that, in accordance with Article L. 225-197-1 et seq. of the Commercial Code, the General Meeting authorize the Board of Directors, which may delegate this authority as provided for in law, to carry out, on one or more occasions and as it deems fit, subject to the restrictions laid down in this authorization, new or existing shares in the Company free of charge, as provided for below.

The allottees should be employees or corporate officers of the Company or of other French or non-French companies or groupings affiliated with it as defined in Article L 225-197-2 of the Commercial Code or of certain categories of such companies

The total number of shares that may be allotted free of charge under this authorization may not amount to more than 3% of the Company's share capital.

The shares allotted free of charge to the Company's Chairman and Chief Executive Officer may not account for more than 1% of the Company's share capital at the date of this General Meeting.

The Board of Directors would determine the vesting period, which may be no shorter than one year and, where appropriate, the holding period, it being specified that the overall duration of the vesting and holding periods may be no shorter than two years.

The shares may be awarded definitively prior to the end of the vesting period should the allottee suffer a disability meeting the conditions laid down in law.

The existing shares that may be awarded pursuant to this authorization would have to be acquired by the Company, either pursuant to Article L. 225-208 of the Commercial Code or, as appropriate, under the share repurchase program authorized pursuant to the twelfth Resolution, provided that resolution is adopted by the General Meeting, pursuant to Article L. 225-209 of the Commercial Code or any other share repurchase program applicable previously or subsequently.

This authorization would entail the waiver by shareholders of: (i) their preferential subscription right to the shares to be issued as and when the shares vest definitively, (ii) any rights to the shares to be allotted free of charge on the basis of this authorization, and (iii) any right to the amount of reserves and premiums against which the issue of the new shares will be set off, where appropriate.

You will be asked to grant full powers to the Board of Directors, which may be delegated as provided for in law, to implement this authorization, within the restrictions laid down above, for the purpose of:

- setting the terms and conditions and, where appropriate, the criteria for allotment of the shares;
- setting, as provided for in law and subject to the statutory restrictions, the dates on which the free share allotments would be made;
- deciding the date from which the newly issued shares shall carry dividend rights, even retrospectively;
- determining the identity of the allottees, the number of shares to be awarded to each of them, the arrangements for allotment of the shares and in particular the vesting and, where appropriate, holding periods applicable to the shares to be awarded free of charge;
- deciding to carry out one or more increases in the Company's share capital resulting from the allotments of free shares to be issued by the Company;
- adjust, as appropriate, the number of shares to be allotted should transactions affecting the Company's share capital or equity lead to a change in the value of the shares making up the share capital in order to protect the rights of the allottees of the shares awarded free of charge;
- carrying out the publication and filing formalities associated with the increase(s) in the Company's share capital resulting from allotments free of charge of shares to be issued by the Company pursuant to this resolution and to amend the Articles of Association accordingly, and
- more generally, to enter into any agreements, draft any documents, complete any formalities and make any statements to any relevant bodies and to take whatever other action is required.

This authorization would be granted for a period of thirty-eight (38) months.

The Board of Directors would be obliged to inform the General Meeting of the Shareholders every year of any allotments conducted pursuant to this authorization in accordance with Article L. 225-197-4 of the Commercial Code.

MATTERS CONCERNING THE ORDINARY AND EXTRAORDINARY GENERAL MEETINGS

XI. Powers to complete the formalities (Fifteenth resolution)

Finally, you are asked to grant all necessary powers to the holder of an original, a copy or an excerpt of the minutes of this General Meeting to complete any 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 with your approval, and accordingly ask you to vote in favor of the draft resolutions submitted to you.

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, 2017

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.*

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 S.A. ("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 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 granted	Purchase or subscription	Price *In euros*	Expiry	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 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, 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	4,000	Subscription	5.70	06/22/2017	Recylex S.A.	Directeur de sites
Régine YU	5,000	Subscription	5.70	06/27/2017	Recylex S.A.	Secrétaire Générale

The Board of Directors

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, 2017

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.*

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 S.A. ("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.

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 to employees of the Company other than company officers:

Beneficiary	Number of shares allocated	Value	Company involved	Function
N/A				

The Board of Directors

STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

Shareholders' Meeting to approve the financial statements for the year ended 31 December 2017

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.*

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 as well as the reasons underlying the interest for the company of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements, 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 for the purpose of approving them.

Our role is also to provide you with the information provided for in Article R. 225-31 of the French Commercial Code in respect of the performance of the agreements and commitments, already authorised by the Shareholders' Meeting and having continuing effect during the year, 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

1. AGREEMENTS AND COMMITMENTS NOT AUTHORIZED PREVIOUSLY BUT AUTHORIZED AFTER THEIR CONCLUSIONS AND MOTIVATED

Pursuant to articles L.225-42 and L.823-12 of the French Commercial Code, we bring to your attention the following agreements and commitments that were not previously authorized by the Board of Directors.

It is our responsibility to report to you the reasons for which the authorization procedure was not followed.

With the company Glencore International AG:

Line of credit made available by Glencore International AG

Directors concerned: Mrs. Laetitia Seta and Mr. Christopher Eskdale

Glencore International AG provided your Company with a credit line available from 29 April 2003 to 29 August 2003 and capped at €12,000,000, bearing interest at one-month Euribor + 1%.

The remaining balance of ordinary and privileged debts included in the continuation plan of your Company amounts to €4,900,507.

Upon request of your Company, this agreement has been modified during the year 2017 to postpone the repayment of this debt, initially planned on 24 November 2019, to the year 2026.

Loan Agreement between Recylex S.A. and Glencore International AG

Directors concerned: Mrs. Laetitia Seta and Mr. Christopher Eskdale

On 1st October 2014, your Company signed a loan agreement with Glencore International AG with the following main terms and conditions:

- loan facility in the maximum amount of €16 million;
- purpose: reimbursement of debts within the scope of the continuation plan of Recylex S.A.;
- interest: 7% per annum + Libor, paid every half-year;
- repayment in whole in one instalment on 30 June 2009 or at any time in advance by your Company or in case of events that make or is likely to make in a significant manner the financial situation of your Company worse.

Under the terms of this loan agreement, your Company has drawn down a total amount of 16 000 thousands of euros. Interests were recorded as expenses for an amount of 661 thousands of euros over the year 2017.

Upon request of your Company, this agreement has been modified during the year 2017 to postpone the repayment of this loan facility to 30 June 2024.

Pledge of the Recylex GmbH shares held by Recylex S.A. to the benefit of Glencore International AG

To secure the repayment of a line of credit granted by Glencore International AG, your Company granted to Glencore International AG the first ranking pledge of all the Recylex GmbH shares held by Recylex S.A.

This agreement was authorised by the 20 September 2002 meeting of your Board of Directors.

The credit line was fully repaid. However, the pledge is maintained, as the interest and costs, included in the continuation plan of your Company, have not been fully paid in the amount of €149,571.

Upon request of your Company, this agreement has been modified during the year 2017 to postpone the repayment of this debt, initially planned on 24 November 2019, to the year 2026.

The modifications of the agreements here above have not been previously authorized by the Board of Directors given the time needed to complete the payment plan for the fine payable to the European Commission.

We highlight that, at its meeting of May 24, 2017, your Board of Directors has decided to authorize afterwards the modifications of these agreements. It has indeed considered that the modifications were in the interest of your Company, the debt maturity extensions being a prerequisite for the acceptance of the payment plan for the fine payable to the European Commission.

AGREEMENTS AND COMMITMENTS PREVIOUSLY APPROVED BY THE SHAREHOLDERS' MEETING

2. AGREEMENTS AND COMMITMENTS AUTHORIZED IN PREVIOUS YEARS AND HAVING CONTINUING EFFECT DURING THE YEAR

Pursuant to Article R.225-30 of the French Commercial Code, we have been advised that the following agreements and commitments, authorised in previous years by the Shareholders' Meeting, have had continuing effect during the year.

2.1. With the company Glencore International AG:

Second ranking pledge of the Recytech S.A. shares held by Recylex S.A.

On 19 December 2016, your Company has signed a pledge agreement with Glencore International AG whereby your Company agrees to grant a pledge to the benefit of Glencore International AG of all the shares held by your Company in Recytech S.A. (owned as to 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 a default from the German subsidiaries or from your Company to respect their respective obligations in relation with the loan agreement and the debt waiver with a return-to-profit clause.

This pledge agreement is part of the signature, on 5 December 2016, a loan agreement between the Group's German subsidiaries and a syndicate of banks, from which the satisfaction of conditions precedent have led Glencore International AG to:

- suspend, for the entire duration of the trusteeship, the first-ranking pledge of the Recylex GmbH shares in its favor that guarantees the Company's performance of its obligations pursuant to the clawback clause provided for in the Company's continuation plan;
- give undertakings 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 that it would 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 a maximum amount of €25 million).

Pledge of financial securities account agreement between Recylex S.A. and Glencore International AG

On 1st October 2014, to ensure the reimbursement of the loan above, your Company has signed a pledge agreement with Glencore International AG whereby your Company agrees to grant a pledge to the benefit of Glencore International AG of all the shares held by your Company in Recytech S.A. (owned as to 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 case of events that make or is likely to make in a significant manner the financial situation of your Company worse, as detailed in the above loan agreement.

Technical cooperation agreement between Recylex S.A. and Glencore International AG

On 1st October 2014, your Company has signed a technical cooperation agreement with its subsidiary Weser-Metall GmbH and Glencore International AG whereby Weser-Metall GmbH and Glencore International AG agree to exchange technical information with the objective to increase the long-term cost efficiency of Weser-Metall smelting plant to insure the long-term economic viability of Recylex group and, hence, enable your Company to repay the loan granted by Glencore International AG to your Company.

Debt waiver with a claw-back clause to the benefit of Glencore International AG

As part of the continuation plan of your Company, approved by the Board of Directors on 5 September 2005, Glencore International AG has waived its receivable for an amount of €17,812,955 with a return-to-profit clause. Within the scope of this claw-back clause, the Company irrevocably undertook, as from and including December 31, 2015, to allocate 20% of its available cash (i.e. cash and short-term securities), as at December 31 of each financial year, to the repayment on a pari passu basis between the creditors having benefit of the claw-back clause of the outstanding part of their claims, with no limit of time

Under this debt waiver with a claw-back clause, your Company has allocated as a liability an amount of 96 149 euros as of December 31, 2017.

Second ranking pledge of the Recylex GmbH shares held by Recylex S.A.

To secure the repayment of a debt, which was initially owed by the Company towards its historical banks, which was assigned in July 2005 to Glencore International AG, in accordance with the notification to the Company made as of September 1, 2005, Glencore International AG benefits from a second-ranking pledge on all the shares held by the Company in Recylex GmbH's share capital.

The aforementioned debt was partially waived with a claw-back clause up to the amount of €17,812,955 under the Continuation Plan approved by you Board of Directors on 5 September 2005.

As part of the signature of the loan agreement between the Group's German subsidiaries and a syndicate of banks on 5 December 2016, Glencore International AG has suspended, for the entire duration of the trusteeship, the first-ranking pledge of the Recylex GmbH shares in its favor that guarantees the Company's performance of its obligations pursuant to the clawback clause provided for in the Company's continuation plan.

2.2. With Mr. Yves Roche

Set-up of a savings plan for the "PERCO" Group pension and a mandatory group defined contribution pension agreement under the regime provided for in Article 83 of the French General Tax Code for the benefit of Mr. Yves Roche

During its meeting of 30 August 2011, your Company's Board of Directors decided to authorise the set-up of a savings plan for the "PERCO" Group pension for Company employees and a mandatory group defined contribution pension agreement under the regime provided for in Article 83 of the French General Tax Code ("Article 83").

In connection with the set-up of the two supplementary pension plans for Company employees presented below, the Company sought to authorise Mr. Yves Roche to also benefit from such plans, under the conditions and subject to the limitations provided for 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 the 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 1 April 2012, to fund this regime for up to 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 the ceiling amount).

During its meeting of 21 March 2012, your Company's Board of Directors decided to approve the application of the two aforementioned supplementary pension plans "PERCO" and "Article 83" to the benefit of Mr. Yves Roche, in the conditions and subject to the limits provided for by Law.

Mr. Yves Roche did not benefit from the PERCO plan in 2016 and he received €8,316.97 under the Article 83 plan in 2017.

2.3. With the company C2P S.A.S.

Tax grouping agreement

On 17 March 2008, your Company signed a tax grouping agreement effective as from 1 January 2008 with its subsidiaries, C2P S.A.S. and Recylex Commercial S.A.S., the latter having been merged into your Company over the year 2017, with a view to finalising the tax expense distribution within the tax grouping of which your Company is the parent.

3. AGREEMENTS AND COMMITMENTS AUTHORIZED IN PREVIOUS YEARS WITHOUT EFFECT DURING THE YEAR

Furthermore, we have been notified of the continuation of the following agreements and commitments, which were approved by the Shareholders' Meeting in prior years, that have not had effects during the year.

With the company Recytech S.A.

Commitment to contribute to transportation costs and steel mill dust recycling costs on the industrial site of Recytech S.A. (owned as to 50%) in case of closure or cessation of Recytech S.A.

Decree n°2012-633 published on 3rd May 2012 includes the obligation for certain installations treating wastes 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..

4. AGREEMENTS AND COMMITMENTS APPROVED DURING THE YEAR

Furthermore, the following agreements and commitments that apply during the year and already approved by the Shareholders' meeting of July 11, 2017 based on our special report dated May 24, 2017, have been brought to our attention:

With Mr. Yves Roche

Compensation for Mr. Yves Roche should he be discharged from his duties as CEO following a major change in share ownership

Your Company undertook to grant Mr. Yves Roche, in the event of a major change in share ownership resulting in his being discharged from his duties as CEO and employee, compensation under the following arrangement:

- compensation would be paid to Mr. Yves Roche should he be discharged from his duties as CEO of the Company for any reason other than a blatant violation of his obligations in his capacity as a corporate officer of the Company (such as the commission of an act that could be qualified as a criminal offense) or should he resign from his duties as CEO of the Company due to significant changes in his responsibilities in this capacity or a major disagreement with the Board of Directors concerning Group strategy and/or management, in the twelve months following a major change in share ownership supported by the Board of Directors (or a public offer recommended by the Board of Directors);
- the compensation payment would be subject to the following cumulative performance conditions:
  - the active and constructive involvement of the CEO, in all work preliminary to a restructuring of the share ownership, in accordance with specific obligations for listed companies; in the event of a public offer for the shares of Recylex S.A., this will include participation in the preparation of all documents relating to Recylex S.A. and the performance of all procedures specific to facilitating the public offer process; and
  - the performance of all procedures necessary to limit the economic and financial consequences of the major change in share ownership, particularly vis-à-vis clients and suppliers and take all reasonably necessary measures to ensure a smooth transition with the new management team;
- in accordance with the law, this compensation may only be paid once the Board of Directors has acknowledged that the aforementioned performance conditions have been met;
- if the performance conditions are met, the gross compensation paid to Mr. Yves Roche would be equal to twice the gross annual compensation that he would have received as Company CEO for the last fiscal year ended prior to the effective date of termination of his duties as Company CEO;
- this compensation would not be cumulative with all other possible compensation (legal, professional, contractual or retirement) to which Mr. Yves Roche could be entitled in connection with the termination of his duties as Company CEO.

The approbation of this Commitment that has already been approved by Shareholders' meeting held on 6 May 2008, has been renewed by the Shareholders' meetings of 12 May 2014 and 11 July 2017 in the context of the renewal of the term of office of M. Yves Roche.

This commitment is not intended to apply since 30 November 2017, the date on which the Board of Directors has acknowledged the resignation by M. Yves Roche from his positions as Director, Chairman of the Board and Chief Executing Officer.

Paris La Défense et Neuilly-sur-Seine, le 13 avril 2018

Les commissaires aux comptes

KPMG Audit ID	Deloitte & Associés
Alexandra Saastamoinen	Laurent Odobez
Partner	*Partner*

STATUTORY AUDITORS' REPORT ON THE SHARE CAPITAL REDUCTION

SHAREHOLDERS' MEETING OF JUNE 5TH, 2018 – THIRTEENTH RESOLUTION

This is a free translation into English of the Statutory Auditors' 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 auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of Recylex S.A. and in accordance with the provisions of Article L.225-209 of the French Commercial Code *(Code de commerce)* applicable in the event of a share capital reduction by cancelation of shares purchased, we hereby report to you on our assessment of the reasons for, and the conditions of the planned share capital reduction.

The shareholders are requested to grant to the Board of Directors, for a period of 24 months as from the Shareholders' Meeting, full powers to cancel, on one or more occasions, up to a maximum of 10% of the share capital per 24-month period, shares bought back by the Company pursuant to an authorization to buy back its own shares in accordance with the provisions of the aforementioned article, this authorization being granted by the twelfth resolution submitted to this Shareholders' Meeting or by shares buy-back programs approved previously or subsequently to this Shareholders' Meeting.

We performed the procedures we considered necessary to comply with professional guidance issued by the national auditing body *(Compagnie nationale des commissaires aux comptes)* relating to this type of engagement. These procedures consisted in ensuring that the reasons for, and the conditions of the planned share capital reduction comply with the applicable legal provisions and that it does not violate shareholders' parity.

We have no matters to report on the reasons for, and the conditions of the planned share capital reduction.

Paris La Défense and Neuilly-sur-Seine, April 13, 2018

French original signed by the statutory auditors

KPMG Audit ID
Alexandra Saastamoinen
Partner

Deloitte & Associés
Laurent Odobez
Partner

STATUTORY AUDITORS' REPORT ON THE AUTHORIZATION TO AWARD FREE EXISTING SHARES OR SHARES TO BE ISSUED

SHAREHOLDERS' MEETING OF JUNE 5TH, 2018 – FOURTEENTH RESOLUTION

This is a free translation into English of the Statutory Auditors' 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 auditing standards applicable in France.

To the Shareholders,

In our capacity as statutory auditors of your Company and in compliance with Article L. 225-197-1 of French Company Law (Code de commerce), we hereby report on the proposed authorization to award free existing shares or shares to be issued to salaried employees and/or to corporate officers of your Company and its associated companies, an operation which is submitted to your approval. The total number of shares that may be thus granted shall not exceed 10% of the Company's share capital.

On the basis of its report, your Board of Directors proposes that you delegate authority to it, for a period of 38 months, to award free existing shares or shares to be issued.

It is the responsibility of your Board of Directors to prepare a report on the proposed operation. Our responsibility is to report our observations, if any, on the information provided to you on the proposed operation.

We performed the procedures we considered necessary to comply with professional guidance issued by the national auditing body (Compagnie nationale des commissaires aux comptes) relating to this type of engagement. These procedures involved verifying that the terms of the operation set out in the report of the Board of Directors are in accordance with the provisions of French law.

We have no matters to report on the information given in the Board of Directors' report on the proposed authorization to award free shares.

Paris La Défense and Neuilly-sur-Seine, April 13, 2018
French original signed by the statutory auditors

KPMG Audit ID
Alexandra Saastamoinen
Partner

Deloitte & Associés
Laurent Odobez
Partner

RECYLEX

79, rue Jean-Jacques-Rousseau
92158 Suresnes Cedex, France
+ 33 (0)1 58 47 29 80

For further information
www.recylex.fr

For any inquiry
info@recylex.fr

For the latest news about the Group
on Twitter
@Recylex