RECYLEX

Annual report 2007


dryfit

Recylex is a European industrial-recycling specialist. We recycle and produce lead and plastic from automobile and industrial batteries, recycle zinc dust from electric steel plating particles, recycle zinc scraps into zinc oxides, and produce special metals for the electronics industry. At the heart of our vigorous and responsible environmental initiative, the Group's mission consists in recycling, transforming and upgrading: recycling lead, zinc and plastic to environment-friendly standards; melting and transforming spent materials into new materials; harnessing this unrivalled expertise in the service of our customers and partner firms. Our Group's distinctive expertise comes from its industrial roots, and it can count on its modern facilities and technology, its effective and established geographic network, and a wide portfolio of loyal customers and suppliers. Recylex runs about ten production plants and employs more than 600 people in France, Germany and Belgium today.

3rd
largest lead producer in Europe

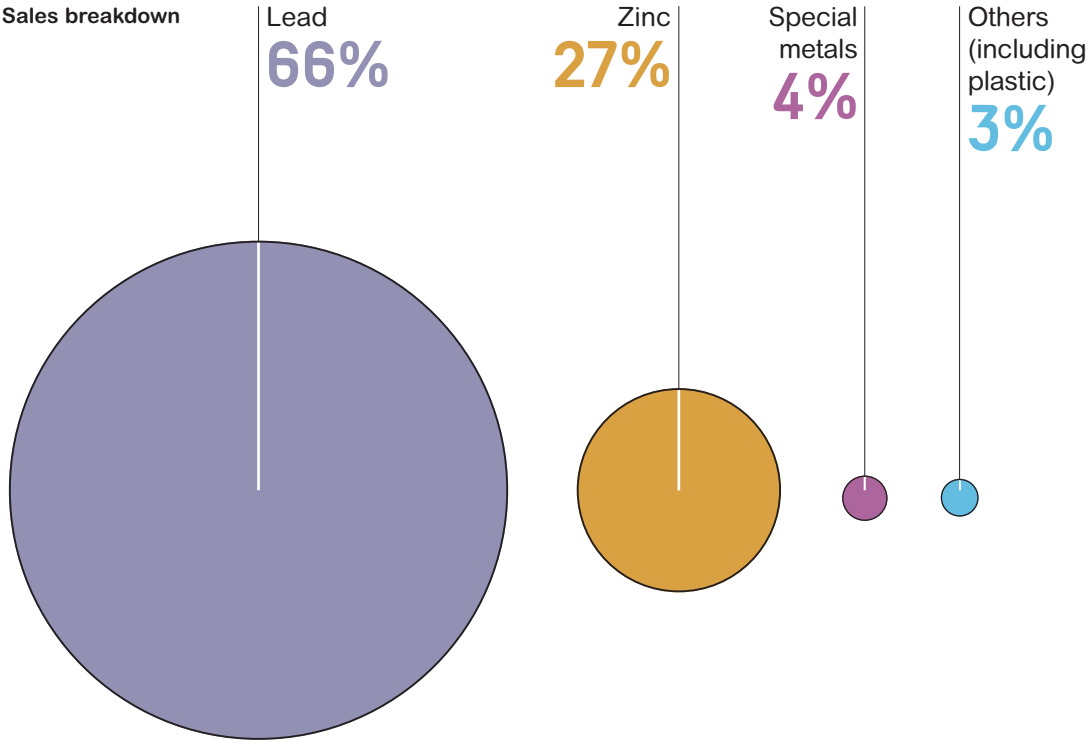
95%
of a used battery is recycled by Recylex

11
million batteries recycled per year

190,000
tonnes of zinc dust and 35,000 tonnes of zinc scraps recycled in 2007

€509.6
million in sales in 2007

Sales breakdown



Dear Shareholders,

We will be looking back on 2007 as a momentous year for a long time and for a number of reasons. Besides changing names in July, we stepped up our efforts to roll out our integrated recycling strategy and cemented our fundamentals. So I would like to tell you more about where our growth strategy will take us next, about last year's highlights, and about where our continuation plan and pending legal proceedings stand at this point.

Last year was the first year in Recylex's history (it was approved at the July 16, 2007 Annual General Meeting). Our Group's new name has lastingly bolstered our business ties with partner firms, customers and suppliers by encapsulating our Company's new nature and our industrial project. It also marshalled our teams and management around the new and shared vision and identity that will drive our development forward. Because Recylex embodies what we believe in, the environmentally and socially responsible principles underlying our pledge to deliver state-of-the-art industrial-recycling solutions, and the pride we share in our unrivalled expertise.

Our 2007 financial results have also strengthened the Group. We generated €510 million in sales and €67.7 million in profits, partly as a result of our strategy and partly due to extremely high prices on non-ferrous-metal markets. High lead prices contributed to our exceptional 2007 sales figures and we are delighted with that. But we are also aware that 2007 cannot provide a benchmark as a result.

We also decided to step up our growth strategy last year. We did so by focusing on organic growth and on upgrading our industrial capacity after a three-year period of restricted investment. Our goal at Recylex, in a nutshell, is to recycle growing volumes with an aim to saturating our existing production capacity while keeping our costs strictly in check.

2007 brought the first step in that proactive and sustainable drive to improve our operation with growing investment in maintenance and productivity, and in improving our environmental footprint. Recylex is also determined to roll out a pragmatic external-growth policy when and as opportunities arise. Its March 2007 acquisitions are an example. Recylex triggered its option to buy out Norzinco's minority shareholders and thereby cement its position in the zinc-oxide market.

Recylex also bought Astron's assets in Germany. That arsenic tetrachloride specialist's operations have doubled our capacity to process this high-precision metal.

Successfully dealing with the second phase in our continuation plan and paying off the associated approximately €11 million were another milestone we reached last year. At this point, from a cash-flow perspective, we are half way through that plan. Reaching this point has relieved the pressure on our finances, and allows us to look ahead more confidently while stepping up our investment policy.

The legal proceedings initiated by Metaleurop Nord liquidators on the one hand and by former Metaleurop Nord employees on the other are moving ahead, but Recylex is not yet in a position to forecast the outcome. Béthune high court, as you may remember, ruled against liquidators' initial liquidity-coverage claim on the grounds that Recylex SA was not the *de facto* manager of Metaleurop Nord SAS. Metaleurop Nord liquidators have appealed but to date, the timetable for the Douai appeal court hearing is not known yet. Concerning the second lawsuit, after initial hearings at the Lens labour court on October 19, 2007, the industrial-staff suit was deferred pending a clear decision and pleaded a second time on December 5, 2007 in the presence of the president of the regional court in Lens. The decision was adjourned until June 27, 2008. Hearings for the management-staff suit took place on January 29, 2008 and the court will be ruling on September 30, 2008. Each of the 585 plaintiffs (former Metaleurop Nord SAS employees) are claiming €30,000 in compensation and €300 in costs.

Today, Recylex can lean on a wider management base – at the top of the Group and across its operational teams – that has enthusiastically embraced the challenges that this new adventure has been bringing. So 2007 will be a watershed year, the first year in its fresh growth drive, and a pivotal year in our ongoing efforts to rank our Group as a trailblazing benchmark in Europe's recycling field.

Yves ROCHE
Chairman and Chief Executive Officer

The Board of Directors

Yves ROCHE
Chairman

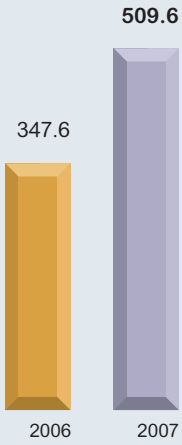
Telis MISTAKIDIS
Member

Mathias PFEIFFER
Member

Richard ROBINSON
Member

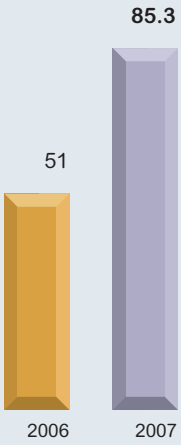
2007 has brought a new upswing in the Group's recovery

Consolidated revenue
(€M)



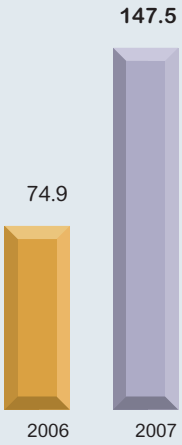
+46.6%

Consolidated current operating income
(€M)



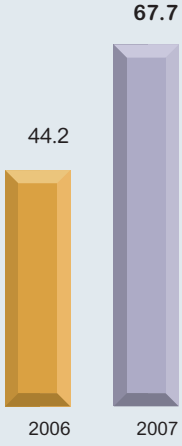
+67.3%

Group share in net assets
(€M)



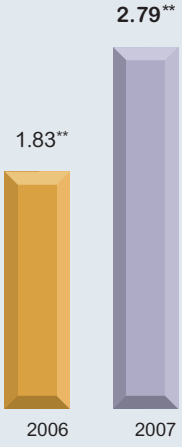
+96.9%

Group share in net result
(€M)



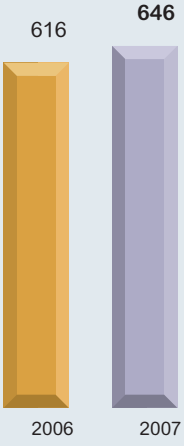
+53.2%

Net result per diluted share*
(€)



+52.5%

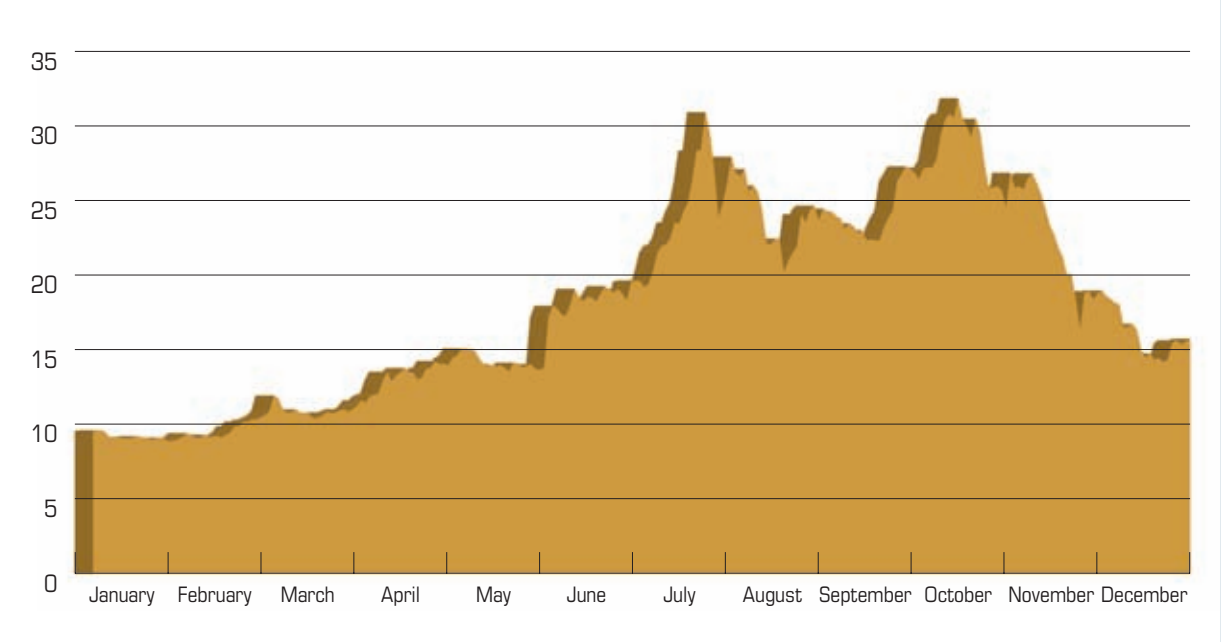
Workforce
(Year end)



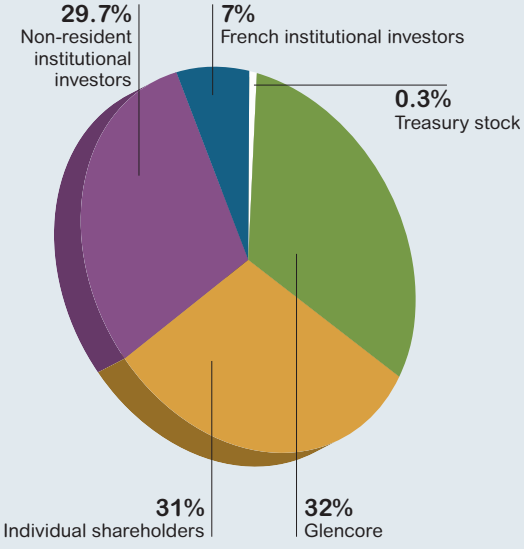
* Weighted average number of ordinary shares adjusted with share application options (with a dilutive effect).

** Adjusted weighted average number of ordinary shares (24,171,682 shares in 2006, 24,245,182 shares in 2007).

2007 share price



Capital breakdown (March 26, 2008)



Recylex shares

Total capital (December 31, 2007):
23,911,982 shares

Traded:
Euronext Paris Compartment B

Mnemonic code: RX

Euronext/ISIN code:
FR000012038

PEA (equity savings plan): yes
SRD (deferred settlement): no

Indices: SBF 250, CAC Small 90, CAC Mid & Small Cap 90, CAC Basic Mater

See www.recylex.fr for full financial information

Shareholder hotline:
+33 1 58 47 04 70 or
e-mail info_recylex@recylex.fr

Recylex Group operations

Recylex runs operations in France, Germany and Belgium. Its battery-recycling plants put it in a position to tap ample collection streams in France and Northern Europe while minimising logistics costs.

Our main plants are in Villefranche-sur-Saône and Escaudœuvres (in France) and in Oker-Goslar (in Germany). We drain batteries in Anderlecht, near Brussels, process polypropylene in the same plants in Villefranche-sur-Saône and Oker-Goslar, process lead in Nordenham and Anderlecht, and process zinc in Valenciennes (Norzinco), Oker-Goslar and Fouquières-lès-Lens (Recytech).

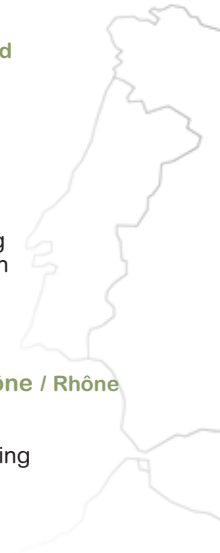
That geographic reach helps us capture local battery and particle streams. Our sales network can also tap its longstanding relationships with suppliers and its established presence in the recycling industry.

1 **Fouquières-lès-Lens / Pas-de-Calais**
(Recytech – a 50% subsidiary)
- Steelwork particle recycling
- Waëlz oxide production

2 **Escaudœuvres / Nord**
- Battery collection and breaking

3 **Anzin / Nord**
- Zinc scraps recycling
- Zinc oxide production

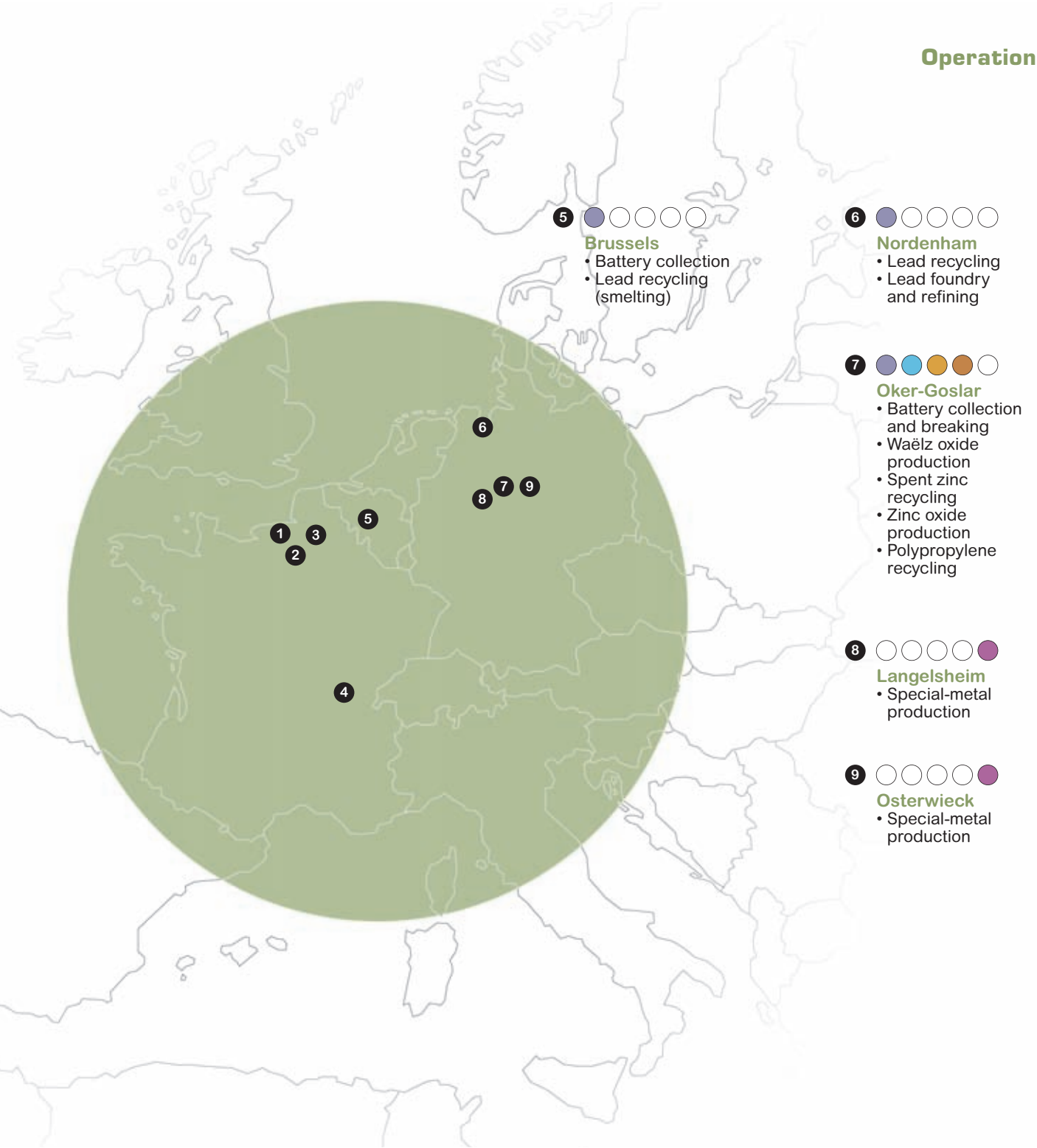
4 **Villefranche-sur-Saône / Rhône**
- Battery collection and breaking
- Polypropylene recycling



Stepping up and cementing our

March 2007 Full Norzinco buyout. Recylex triggered its option to buy out Norzinco's minority shareholders (45%) for €3.4 million. The Recylex Group now owns 100% of this spent-zinc to zinc-oxide recycling specialist.

March 2007 A step forward on the special-metals market. Reinstmetalle Osterwieck GmbH (RMO), a PPM subsidiary, bought arsenic tetrachloride specialist Astron's assets for approximately €4.3 million. RMO was included in the Recylex Group's consolidation scope as of January 1, 2007.

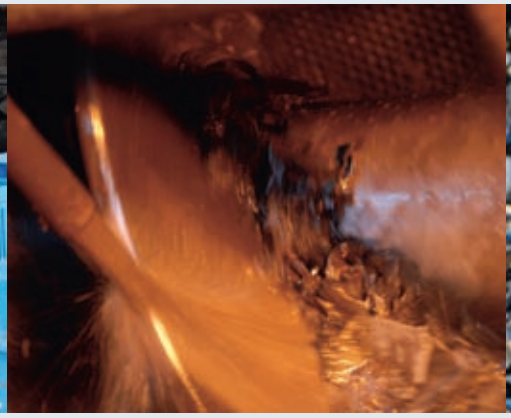


integrated recycling strategy

July 2007 **New name.**
The Annual General Meeting approved the new identity that the Board had submitted with a view to clearly and lastingly establishing the Group among Europe's recycling specialists.

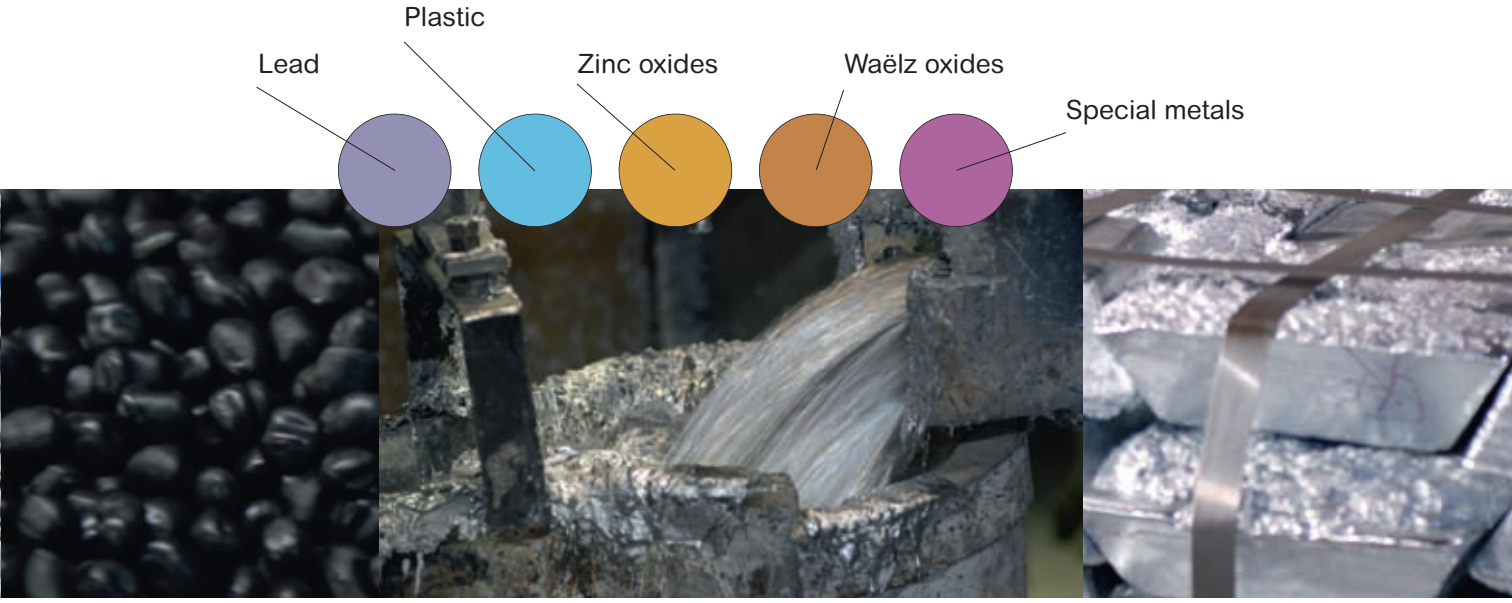
November 2007 **Phase 2 of the continuation plan successfully cleared.**
Our Group's top priority remains honouring Recylex SA's continuation plan commitments. It therefore settled the plan's second annuity, for approximately €11 million, in November 2007.

Results thus far and growth prospects ahead


Achievement and taking care Recylex generated nearly €510 million in sales in 2007, up from €348 million in 2006. This result encompasses a combination of factors: exceptionally high lead prices, the drop in the US Dollar (which limited their impact) and our Company's growth drive. Those factors explain the current operating income rise from €51 million in 2006 to €85 million in 2007.

But we still have to move forward with care: the financial latitude we have derived has put us in a position to invest in essential industrial capacity upgrades and to snatch up sensible acquisition opportunities when and as they arise. That was why we decided to take over 100% of Norzinco and to cement the arsenic tetra-chloride operation in Reinstmetalle Osterwieck GmbH (RMO), a PPM subsidiary, which entered the Recylex Group's consolidation scope on January 1, 2007.



A new and clear-cut identity

The Shareholders' Annual General Meeting approved Recylex SA's new identity in July 2007 to highlight our recovery, and to position us as a recycling specialist and as a responsible player in the sustainable development field.

Recylex is focusing its strategy on increasing recycled volumes. About 50% of our battery-processing capacity is available at this point, so growth will have to come from the supply side. Our European breadth and presence near the North Sea help, as they put us near our suppliers as well as our outlets (Recylex holds a 40% in the collection market in France, but only 20% of that market in Germany).

Stepping up business drive

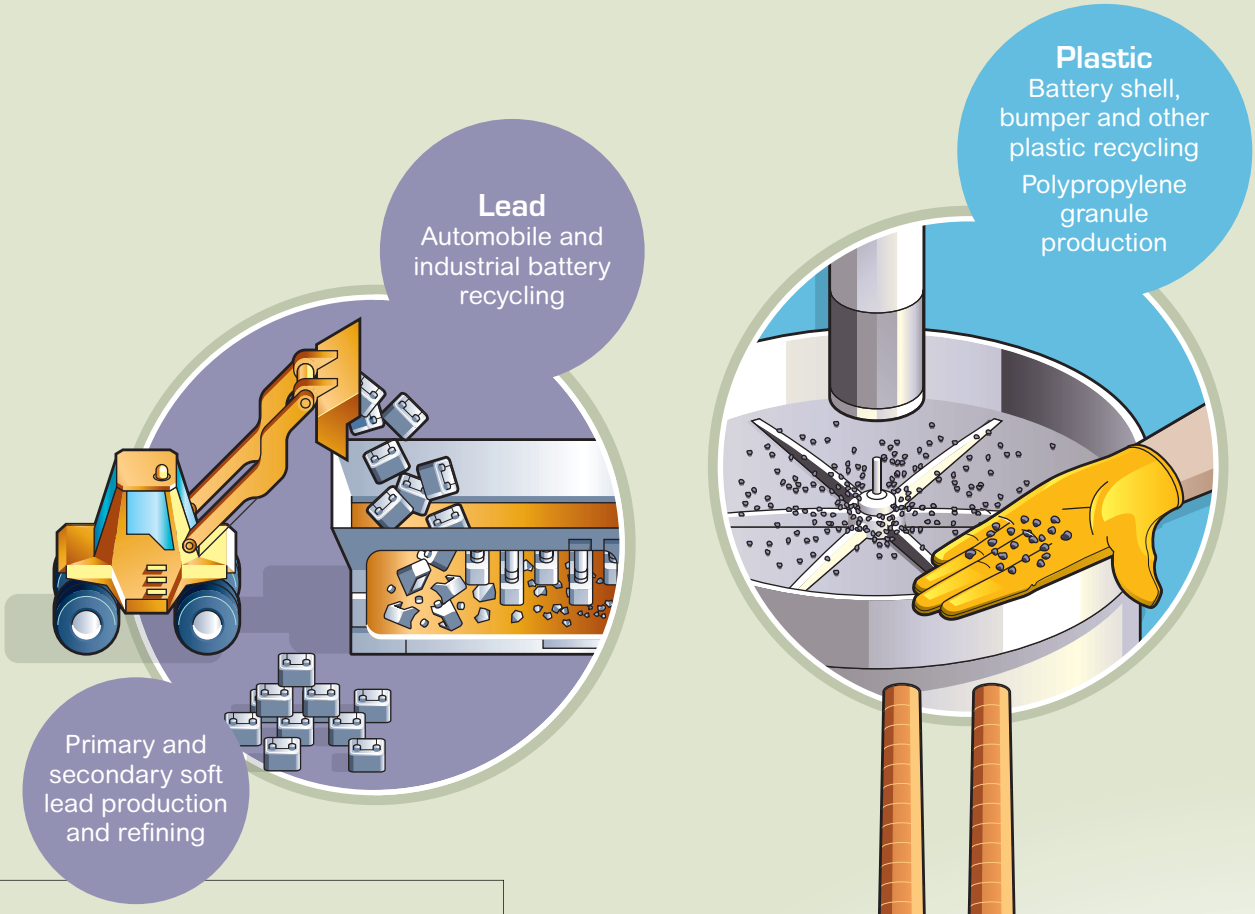
Recylex's more than 100 French battery suppliers are scattered around the country. Development, it follows, will entail stepping up our on-location business presence and bolstering our business teams. Our acknowledged expertise in the recycling field and our ability to provide collection services (small garage owners can request bins and collection services on www.collectedebatteries.fr) are two of our strengths. We also import batteries from other Western European countries, and are looking into longer-term plans to build processing plants and duplicate Recylex expertise in countries where these materials are not recycled.

That is how Recylex will be able to carve out its share in the market and tap necessary growth in secondary raw material recycling. And that is how it will harness its singular sourcing and processing expertise, and its outstanding lead, zinc and polypropylene production skills, around user specifications.

Recylex recycles

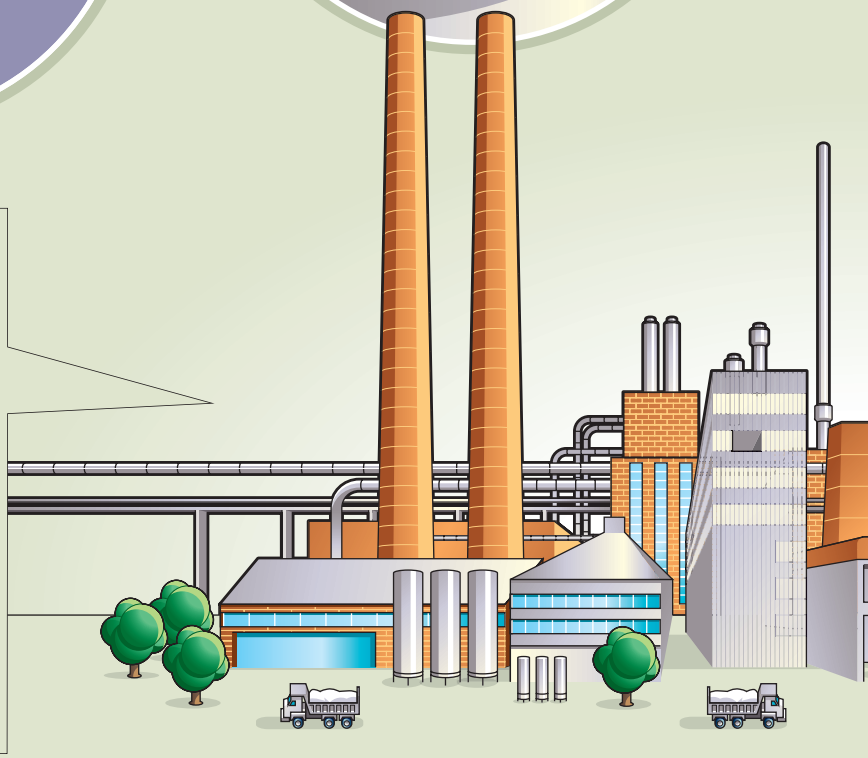
95%

of a battery. Its unrivalled expertise enables it to neutralise the acid, and to extract and recycle the lead and plastic. No non-ferrous metal anywhere in the world recycles better than lead.



The unstoppable worldwide drive towards recycling-based economic regulation

- Structural demand for primary and secondary raw materials in the European market.
- Sturdy growth in China and developing countries.
- Natural recycling options for lead, polypropylene and zinc.
- Society-wide demand for sustainable and responsible growth.
- Tightening legislation on recovery, recycling rates and recycled-material use.

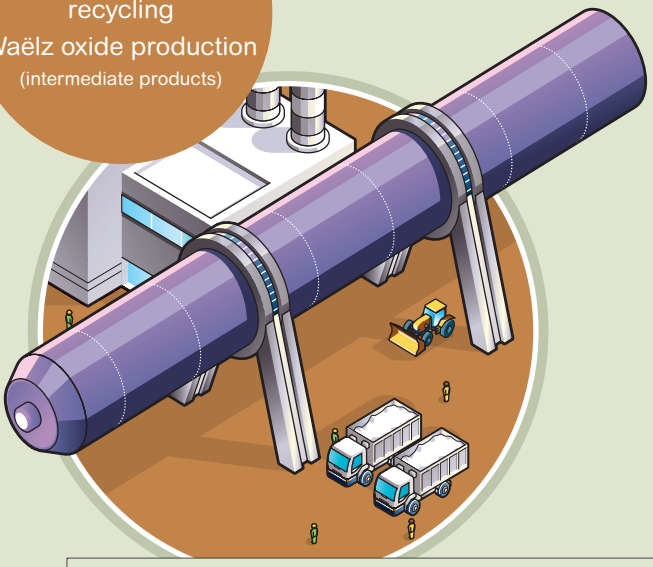


What Recylex does

Zinc oxides production

Zinc oxides
Zinc waste (roofing, drainpipes, etc.) recycling

Waëlz Oxides
Steelwork particle recycling
Waëlz oxide production
(intermediate products)



Our strengths

- Time-honoured expertise and a unique process that Recylex has developed in-house to recover spent automobile batteries.
- Modern and versatile industrial capacity, with a strategic bridgehead in Nordenham.
- A low-fixed-cost structure.
- Respected business muscle (a key to supply-side success).
- Strategic territorial coverage to tap value in large population and industrial areas.
- A solid reputation and trust-based ties with our business partners.

Special metals
High-purity-metal production

Recylex is a key player in the state-of-the-art recycling field

We hold a very healthy share in Europe's market for lead accumulator (battery) recycling and handsome positions in steelwork-particle and zinc-waste recycling. Recylex also ranks among the world's leading production specialists for a number of high-purity special metals.

Unrivalled battery-recovery expertise

Lead production accounts for 60% of Recylex's sales. Rocketing lead prices explain some of the growth we enjoyed in 2007. Our efforts to recover our market share last year explain another part. Recycling requirements and soaring prices for petroleum-derived equivalents explain the polypropylene-recycling market's exciting potential. Lead and polypropylene supplies, as an aside, work synergistically.

To improve spent-battery collection, the website www.collectedebatteries.fr, helps garage owners and small collection units to manage their stock and streamlines deliveries.

Battery collection and processing

Battery collection figures jumped a handsome 10,000 tonnes in 2007, to hit the 140,000-tonne mark. The industrial facilities built in the 1990s are four times more efficient than standard equivalent operations, and still afford Recylex available processing capacity.

The processing units take in full batteries, crush them and sort them. They sell the lead-containing materials – oxidised materials ("paste") and metal parts – to the Nordenham plant, and the polypropylene to the C2P plant, and then route the non-recyclable plastic to subsurface solid-waste containment centres.
The crushing unit in Escaudœuvres handles both charged and drained batteries from FMM's pre-treatment unit in Belgium, which collects them on Benelux markets. The Oker-Goslar plant has dedicated capacity for the German collection market, and is nearer Nordenham.

Smelting and refining

FMM processes secondary materials – battery lead oxides and pipe lead waste – in Belgium. This process entails an oxide chemical reduction phase in a rotary kiln. The working metal that comes out is then purified in refining tanks. FMM produces about 15,000 tonnes a year. The Nordenham plant uses ultra-efficient and energy-saving BSF (Bath Smelting Furnace) technology. It processes 200,000 tonnes of materials (in this case a mix containing ore and secondary materials) and produces 125,000 tonnes of lead.

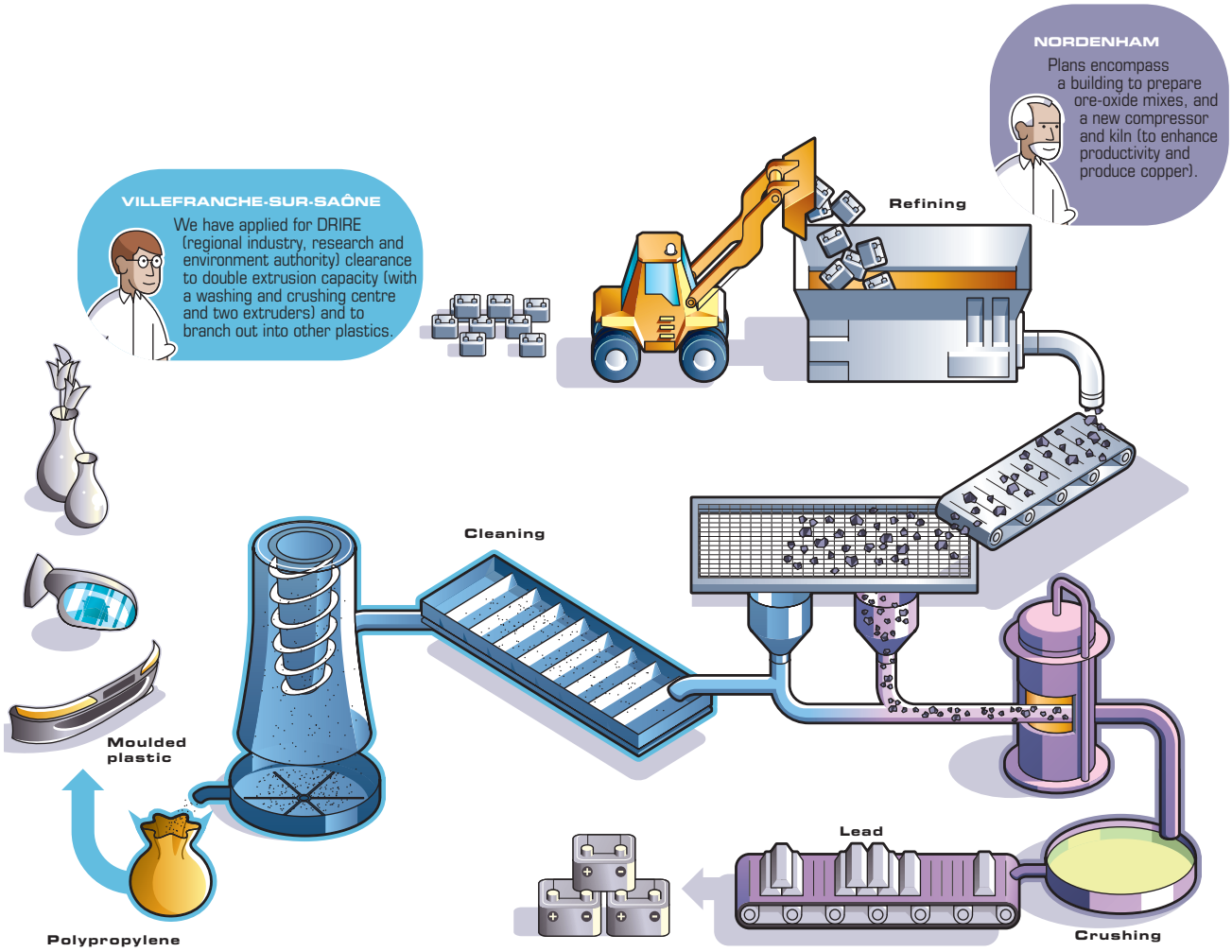
Plastic: one-of-a-kind expertise in the market

Recylex has a technical and regulatory edge (its facilities have earned IPCE environment-protection certification) as early as the crushing stage. It has also mastered the compounding stage, during which it enriches primary materials using its own additive combinations to deliver the properties that its customers request.

Uncompromising quality control

After the extrusion phase, the Recylex lab checks each batch's technical specs and issues a compliance certificate if appropriate. The tracking system then identifies each batch's original supplier all the way down the line. This system guarantees we deliver consistently high quality products – and earned Renault a prize for its Modus model's dashboard, an eminently complex part made of Recylex-recycled polypropylene.

Recylex produces slightly more than 17,000 tonnes of polypropylene in France and Germany, and is working on enhancing production capacity by 50% and polypropylene's share in its output to 7% to 10%.



Two fields of expertise to renew zinc usage

The considerable amount of slag released during zincky-waste processing operations contains a certain amount of metal. Tight supplies warranted investing in new capacity to reprocess that slag. The new system is still being assembled in Oker-Goslar but, at this point in the roll-out, it already accounted for 20% to our 2007 results.

The sustainable development drive, which entails concurrently handling hazardous waste, relieving pressure on non-renewable raw materials and cutting energy consumption, is driving the zinc-recycling market in the same way as it is driving demand for recycled lead.

Tapping and consolidating value

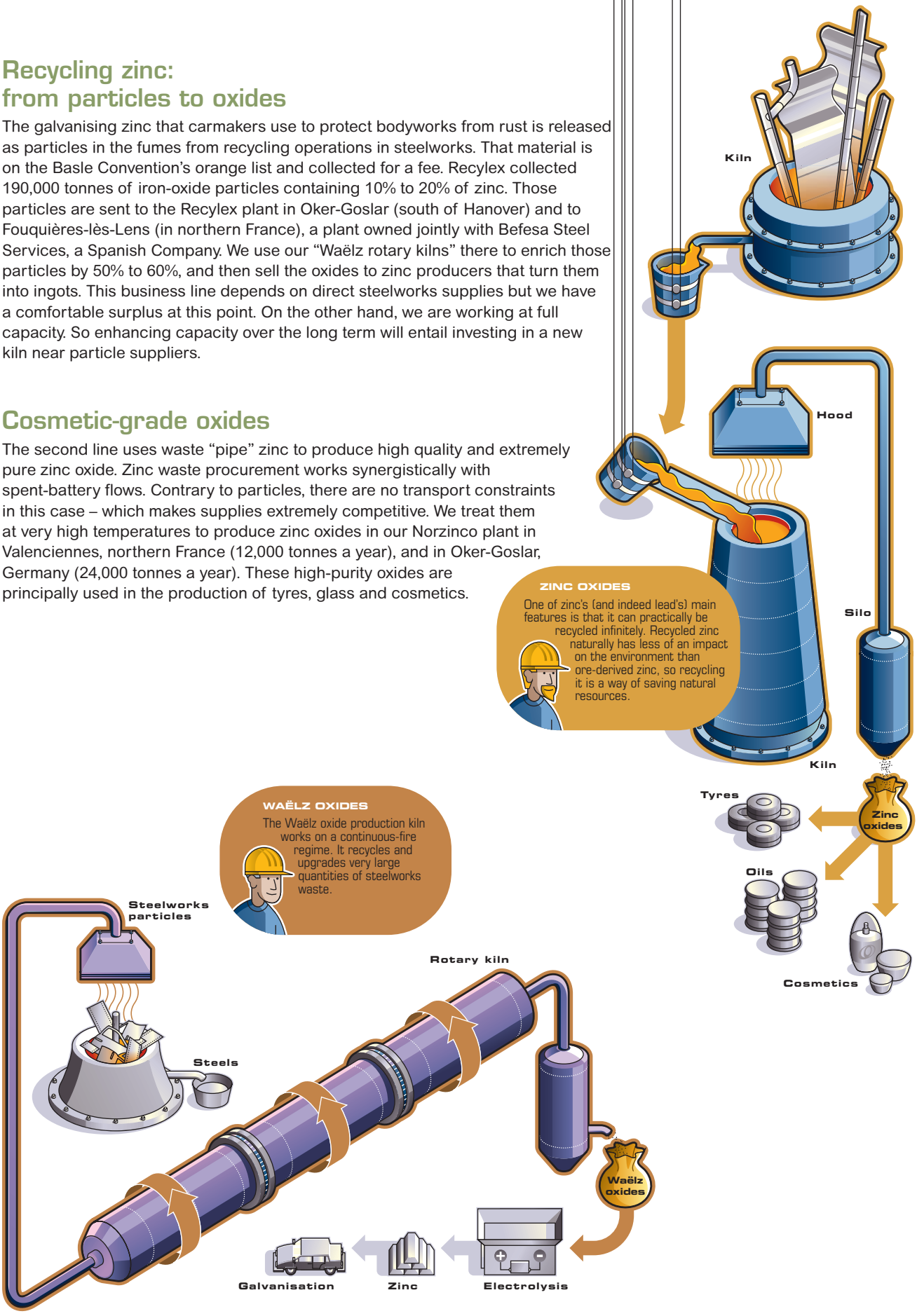
Our zinc business line's current operating income declined somewhat in 2007 due to a drop in zinc prices during the second half of the year and scheduled shutdown maintenance on the rotary kiln in Oker-Goslar. Steelwork-particle recycling, however, reported a very handsome €14.8 million positive current operating income. Our March 2007 move for sole ownership of Norzinco has moreover put Recylex in a position to enjoy sturdy growth in its zinc-oxide line.

Recycling zinc: from particles to oxides

The galvanising zinc that carmakers use to protect bodyworks from rust is released as particles in the fumes from recycling operations in steelworks. That material is on the Basle Convention's orange list and collected for a fee. Recylex collected 190,000 tonnes of iron-oxide particles containing 10% to 20% of zinc. Those particles are sent to the Recylex plant in Oker-Goslar (south of Hanover) and to Fouquières-lès-Lens (in northern France), a plant owned jointly with Befesa Steel Services, a Spanish Company. We use our "Waëlz rotary kilns" there to enrich those particles by 50% to 60%, and then sell the oxides to zinc producers that turn them into ingots. This business line depends on direct steelworks supplies but we have a comfortable surplus at this point. On the other hand, we are working at full capacity. So enhancing capacity over the long term will entail investing in a new kiln near particle suppliers.

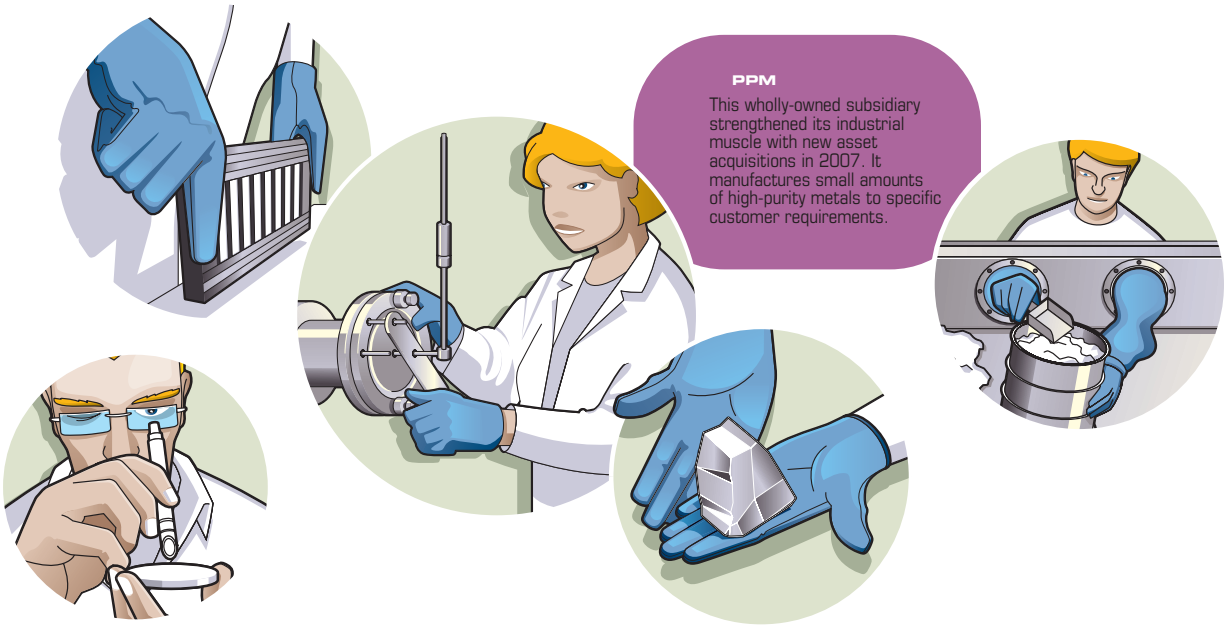
Cosmetic-grade oxides

The second line uses waste "pipe" zinc to produce high quality and extremely pure zinc oxide. Zinc waste procurement works synergistically with spent-battery flows. Contrary to particles, there are no transport constraints in this case – which makes supplies extremely competitive. We treat them at very high temperatures to produce zinc oxides in our Norzinco plant in Valenciennes, northern France (12,000 tonnes a year), and in Oker-Goslar, Germany (24,000 tonnes a year). These high-purity oxides are principally used in the production of tyres, glass and cosmetics.



A world-class special-metals specialist

Recylex PPM is a respected player on the worldwide special-metals market. It produces small quantities of extremely pure metals. This Group business line dates back to 1988, when Preussag and Penarroya merged.



A cyclical business line with exciting potential

A drop in cadmium-telluride sales and a decline on germanium and arsenic margins, paired, at least in part, with higher metal costs, explain the disappointing figures in 2007. PPM, however, is in a solid position to tap a recovery in 2008 and, especially, the upswing in the solar-energy market.

Extreme purification

PPM's expertise purifying special metals is simply out of the ordinary. Besides germanium, which is produced directly from ore, special metals are often by-products from other metalworking industries (zinc in the case of indium and tellurium, and aluminium in the case of gallium) or of chemical industries (in the case of arsenic). All these metals reach the plant in Langelsheim, a few kilometres from Goslar, with titres of between 95% and 99%. The extremely sophisticated physical treatment they are subjected to in ultra clean atmospheres can up their titre to 99.999%.

Unrivalled expertise and a wide range

No other Company can match PPM's product range. That provides customers with a number of advantages (flexibility, technological proficiency and the ability to iron out cycles in demand for special metals). Arsenic is the main metal processed at Recylex – which holds more than 60% of that market since the RMO buyout. Then come germanium, indium, gallium and tellurium. All these metals are used in high-tech applications, such as military infrared devices, optical fibre, flat screens, optoelectronics, mobile-phone printed circuits, photovoltaic panels, etc. All these industries have exceedingly stringent metal-purity specs, so the fact that our plant in Langelsheim looks distinctly like a laboratory is hardly surprising.

PPM stepped up its production capacity by acquiring Reinstmetalle Osterwieck GmbH's (RMO's) arsenic-tetrachloride operation – thereby becoming the world's leader for high-purity arsenic production – in 2007. It also streamlined its operation to grow in step with the revival in the solar-energy market, which uses vast quantities of cadmium telluride (after disappointing production levels in 2007). These two products are expected to account for a sizeable portion of 2008 figures.

A gene-deep environmental drive

Respect for the environment can only run deep in a Company that works across raw materials' life cycles to deliver responsible and sustainable supplies. Its pledges span three areas: embracing sustainable development, managing our environmental impact and remedying old concessions.

Environmental commitments

Recylex's business lines in and of themselves blend into the sustainable-development agenda. On the one hand, Recylex plays a key role treating waste. Waste, here, includes common variants such as zinc debris, and hazardous waste such as steel dusts and batteries, which are recycled to the tune of 95% (i.e. the lead-containing materials, plastics and sulphuric acid which is either neutralised or turned into sulphur dioxide, a gas used to produce sulphuric acid that is then sold). Recylex also contributes to saving non-renewable raw materials such as lead (which can be recycled indefinitely), zinc and petroleum (by recycling polypropylene).

That is how a lasting supply loops is created: 80% of the components in the recycled spent batteries are used to manufacture new batteries. That process also contributes to efforts to save energy: recycling operations consume three times less energy than direct production from ores.

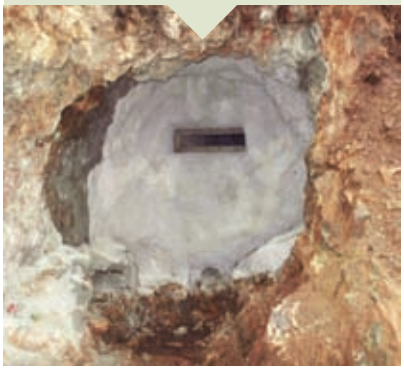
Protecting human environments

Staff exposed to lead particles naturally warrant the highest protection levels. The 260 workers at the plant in Nordenham change gear twice a day (and more during specific maintenance operations), and have regular medical check-ups. Masks are needless to say compulsory within the plant. Workers at the zinc plant in Oker-Goslar are also protected from lead traces, since zinc is not a toxic metal. This concern triggered an environmental audit across Recylex operations starting in early 2008. That audit will focus on production equipment and on protection measures for the 250 workers in contact with lead and the 50 workers in contact with plastic. The local population's safety is also taken very seriously and air quality is monitored on a regular basis. Early in 2008, FMM shut down its lead smelting unit and refining operation following an IBGE-BIM (Brussels Institute for Management of the Environment) reading revealing high mercury content in fumes from the plant's chimney. The Collège d'Environnement, a higher authority, later overruled IBGE-BIM's decision, but the local people's concerns led FMM to suspend its lead smelting operations until it rolled out the control and processing measures it had developed with IBGE-BIM.

A water-treatment pool in Escaudœuvres. Recylex has pledged to curb its environmental impact in neighbouring areas and to look for innovative energy solutions.

Restoring mining sites

As part of our voluntary environmental commitment, Recylex consolidates, fills in, secures and shuts off mines before returning their concessions to the French government. It carries out this work – which is complex owing to mine locations – side by side with authorities and environmental associations. It also provides openings such as the one shown here to protect local wildlife.



Protecting and respecting natural environments

Recylex takes care of containing contamination risks all the way down the primary and secondary material collection and processing chain. Stainless-steel bins are supplied to collectors and lead-containing materials are carried in special trucks only, with especially trained drivers. Under Basle Convention provisions, cross-border hazardous material transport requires prior notification and authorisation.

On sites, Recylex ensures that storage facilities do not allow lead to seep out into the environment. Rain water is collected and treated at the same time as wash water, electrolytes and process water in on-location purification plants, where we decant, filter and neutralise effluents to a point that makes it possible to release the surplus which is not fed back into the closed circuit into the natural surroundings. We then retreat process waste, non-recyclable parts and smelting slag (as is the case with zinc slag) or recover them: a portion of our non-recycled waste (PVC, for instance) is converted into energy and a material recovery project is under review in Germany.

Our pledge to restore former concessions

As part of our focus shift to recycling and our continuation plan, Recylex has pledged to restore mining sites before handing back the concessions it held to the French government (regardless of whether it operated them or not). We have handed back 12 of our 29 concessions (including in 2007) after securing and remedying them. We will be restoring another mines in 2008. Doing so will entail lastingly closing off access to the galleries, building treatment plants for the water that drains out of the mining area, stabilising the structure and blending the mine into the landscape by planting over the slag heaps. It also entails taking into account each site's particular features. In one case, for instance, a community's plans to preserve a vestige of its mining heritage can involve safety-incompatible conditions. In others, the need to protect the bats that have settled in the galleries involves providing them with specific accesses.

Restoring the industrial plant in Estaque has faced Recylex with a particular issue: that unit produced lead and arsenic from 1916 to 2001. Removing the lead and arsenic residue there entails digging up, screening and storing the contaminated material in landfills built on site. The neighbouring firm that had signed an agreement to build those storage landfills, however, has not honoured its commitment. As of end 2007, the provision set aside to cover the cost of the restoration work in Estaque stands at €17.2 million.

ISO 14001:
a need and an attitude

Recylex has embarked on a drive to earn ISO 14001 certification over and above honouring all its regulatory requirements. The FMM plant in Belgium was certified in the third quarter of 2007, the crushing unit in Villefranche was certified on December 1, 2007, and the unit in Escaudœuvres was certified in the first quarter of 2008. This process completes ISO 9001 certification and will be furthered throughout this year. It naturally adds to a site's workload during the year it is undergoing the audit, and has involved tapping specialist resources within and outside the Company. But it has also spurred a Group-wide improvement drive. The goal, now, it not only to be good at what we do, but to be the best.
Recylex has also run an environmental audit across its operating sites. That audit's findings are scheduled for release during 2008.

Environment-friendly administrative offices

The Suresnes office revamp naturally blends into the Recylex environmental policy. The project that Seppia, an architect firm, rolled out is based on High Environmental Quality (HQE) standards. It involved using anti-allergic and fully recyclable materials, solvent-free floor coverings, water-based, recyclable and biodegradable paint, all-vegetable-fibre wall coverings, an electronic power converter and compact fluorescent lamps, recycled wooden panels for the furniture, and fully-recyclable office chairs. Rubble was also sorted before it was dispatched. Recylex has befittingly dynamic, modern and environment-friendly administrative offices today.

Financial report

24 **Management report of the Board of Directors**

35 **Report of the Board of Directors**
to the Shareholders' Ordinay and Extraordinary Meeting of May 6, 2008, first notice of Meeting

38 **Statutory Auditors' report**
on the transactions related to the Company's share capital provided for in resolutions no. 1, 2 and 3 of the Ordinary and Extraordinary Shareholders' General Meeting of May 6, 2008

40 **Special Report of the Board of Directors**
to the Shareholders' Ordinary et Extraordinary Meeting of May 6, 2008 on the completion of stock repurchase programs authorized by the Company

41 **Special Report of the Board of Directors**
on transactions executed in accordance with the provisions of articles L. 225-177 to L. 225-186 of the French Commercial Code

43 **The Chairman's report**
on the work of the Board of Directors and internal controls implemented by Recylex SA for the financial year 2007

48 **Statutory Auditors' report**
prepared in accordance with article L. 225-235 of French Commercial Code on the report prepared by the Chairman of the Board of Recylex SA on the internal control procedures relating to the preparation and processing of accounting and financial information

49 **Consolited financial statements**

90 **Statutory Auditors' report**
on the consolited financial statements

93 **Financial statements**

120 **Statutory Auditors' report**
on the financial statements

122 **Statutory Auditors' special report**
on the regulated agreements and commitments with related parties

124 **List of agreements**
Entered into by Recylex SA relating to current operations entered into under normal terms and conditions during the fiscal year closed as at December 31, 2007 or the execution of which was carried on during such fiscal year

125 **Proposed Resolutions**
for the Shareholders' Ordinary and Extraordinary Meetings of May 6, 2008

Management report of the Board of Directors

1. The Group's situation during the 2007 fiscal year

1.1 The markets: lead, zinc, special metals

The Recylex Group's operating profits depend upon changes in lead and zinc prices.

Lead: demand outstrips supply

In 2007, global consumption largely outpaced global production by approximately 215,000 tons. Global production totaled 8 million tons in 2007, of which 3.4 million tons, or 42%, was produced from raw materials (lead concentrates).
In the metals segment, lead prices recorded the strongest gains in 2007, with the annual average more than doubling as compared to the previous year.

The lead price reached a low of 1,575 USD/ton on January 17, 2007, and a high of 3,980 USD/ton on October 15, 2007.

This price spike was partially offset by the euro's appreciation against the dollar. In 2007, the annual average lead price was 1,882 EUR/ton, versus 1,024 EUR/ton the previous year.

In 2007, inventories on the London Metal Exchange (LME) remained at extremely low levels, fluctuating between a low of 20,850 tons on September 24 and a high of 48,725 tons on May 17.

Zinc: an evolving market

After a strong deficit in 2006, which was confirmed in the first half of 2007, zinc production rebounded in the second half of 2007 and the deficit for the full year 2007 was narrowed to approximately 200,000 tons, versus 330,000 tons in 2006.
This trend led to a decrease in average zinc prices, which fell from 3,273 USD/ton in 2006 to 3,250 USD/ton in 2007.

After starting 2007 at more than 4,200 USD/ton, zinc prices plummeted to a low of 2,214 USD/ton on November 22.

1.2 Industrial operations

Nordenham – Lead (Germany)

The Nordenham plant, operated by Weser Metall GmbH, produces lead ingots made from raw materials (lead concentrates) and secondary materials (lead from used batteries).

In 2007, the plant produced 125,000 tons, an increase of some 7,000 tons compared to the previous year.

No major production stoppage occurred in 2007. A production stoppage of around three weeks is expected toward the end of the first quarter of 2008. The 2008 production target is 123,000 tons.

Operating income from continuing operations increased by 185% in 2007 to reach €39.3 million.

Reprocessing of batteries

The Recylex Group reprocesses used batteries at three plants: two in France (Escaudœuvres and Villefranche-sur-Saône) and one in Germany (Oker).

The lead recovered from this process is sold to the Nordenham plant to be melted down.

In 2007, the Group processed approximately 140,000 tons of batteries, or 10,000 tons more than in 2006. The volume of processed batteries at the Villefranche-sur-Saône and Escaudœuvres sites increased by 6,500 tons last year, bringing the total for these two sites to more than 94,000 tons on the year. This increase was due to the Group's continued efforts to gain market share.

All three battery reprocessing plants were shut down for maintenance in the summer of 2007.

Zinc oxide

Following the Group's acquisition on March 8, 2007 of the Company Ostrowiak's minority interest in Norzinco, the Recylex Group now owns 100% of the zinc oxide business. This business operates two plants, one in Anzin near Valenciennes, France, and the other in Oker, Germany.

Following the purchase of Ostrowiak's minority interest, Norzinco's management was replaced at the end of the first half of 2007. Nevertheless, the Anzin plant experienced production difficulties owing to modifications required to improve plant operations as well as the bad quality of certain raw materials. After corrective actions were made, production increased in the second half of 2007.

In addition, the European zinc scrap market became extremely competitive in 2007, which led to higher costs not passed onto customers.

These two trends resulted in a substantial operating loss of €1 million.

Other corrective measures were implemented starting in 2008, in particular a reduction in energy costs and changes in supply.

The German plant, meanwhile, recorded robust operating income of €5.6 million.

Recycling of steel dust

The Recylex Group recycles steel dust through two companies that have large rotary furnaces using Waelz kiln technology: Harz Metall GmbH (Oker, Germany) and Recytech SA (Fouquières, France) (50%-owned by the Recylex Group).

Since this business is extremely sensitive to zinc prices, the operating income of both plants was very strong in 2007, reaching €9.2 million in the case of Recytech SA (Recylex Group's portion of this 50%-owned subsidiary) and €5.6 million for Harz Metall GmbH.

Plastics recycling

The Recylex Group recycles plastics (mainly battery cases) through two subsidiaries: C2P SAS (Villefranche-sur-Saône, France) and C2P GmbH (Oker, Germany). The polypropylene produced is sold primarily to automotive suppliers.

In the first half of 2007, the Villefranche-sur-Saône plant experienced technical difficulties, which were corrected in the second half. The setback nevertheless weighed slightly on operating income, which remained essentially unchanged from the year 2006 at €0.4 million.

The German business being still slightly below breakeven, the overall plastics business generated operating income of near €0.2 million, similar to the 2006 result.

Special metals

The PPM Pure Metals GmbH subsidiary, located in Langelsheim (Germany), produces special metals.

Operating income in 2007 was a disappointing €645,000, down from €1.5 million in 2006. The decrease was largely due to reduced sales volume in the cadmium telluride segment and lower profit margins for germanium and arsenic compared with the previous year. The decrease in the germanium profit margins, despite higher sales volumes, was due in part to the increase in metal supply costs. Also, the Recylex Group further built up its position in the arsenic tetrachloride segment through Reinstmetalle Osterwieck GmbH (RMO), a subsidiary of PPM that purchased the assets of Astron for €4,285 thousand. RMO has been consolidated by the Recylex Group since January 1, 2007.

1.3 Capital expenditures

In 2007, the Recylex Group made capital expenditures of €16.2 million, essentially for the maintenance of its industrial equipment. These expenditures broke down by business segment as follows:

- lead: €8 million;
- zinc: €3.2 million;
- special metals, plastics: €5.0 million.

1.4 Group results in 2007

The Recylex Group recorded consolidated revenues of €510 million in 2007, a 47% increase relative to the previous year.

No major changes in consolidation scope occurred between the two periods (2006 and 2007).

The increase in revenues can be attributed to the gains in the lead segment.

Consolidated net income totaled €67.7 million in 2007, up from €44.2 million the previous year.

The 2007 consolidated net income was derived from the following items:

- operating profit: €85.3 million;
- corporate tax: €14.3 million.

The Recylex Group's business is focused essentially on recycling (lead, zinc and plastics). It is organized around the local processing of materials, which helps to minimize risks associated with the transportation of materials. Those elements characterize the Recylex Group's approach. The Group communicates regularly with local and national authorities regarding its approach.

Presently, the Group's main customers are European. Nonetheless, should a decrease in European demand occur, the Group has the capacity to serve non-European customers through the development of exports.

The main balance sheet trends are as follows:

Long-term financial assets: (–37%)

RMO was fully consolidated in the financial statements for the year ending December 31, 2007, and is therefore no longer recognized under financial assets.

Inventories: (+53%)

The increase is mainly due to the increase in lead prices as expressed in euros. This increase had an impact on the Weser Metall GmbH (Nordenham) plant in the amount of €27 million.

Accounts receivable: (+46%)

Weser Metall GmbH's receivables increased by €24 million following the increase in lead prices as expressed in euros. The Norzinco sub-group's receivables contracted by €2.6 million.

Other current assets: (–5%)

This item remained largely unchanged from the previous year, and consists mainly of advance payments on taxes, pending orders and other debit accounts.

Long-term interest bearing loans: (+601%)

The increase was due primarily to the subscription of three new loans by Weser Metall GmbH, Recylex GmbH and PPM. These loans were subscribed in order to finance a portion of the Company's capital expenditures as well as RMO GmbH's acquisition of the assets of Astron.

Other long-term liabilities: (+21%)

The change resulted from the reversal of two provisions for risk totaling €4.7 million, following their reclassification as rescheduled liabilities and inclusion in the continuation plan.

Other current liabilities: (–8%)

The second annual installment due from the continuation plan (€11 million) was paid in November 2007, which led to

a reduction of this item. However, the Group's tax and social liabilities rose sharply by €6.9 million owing to the robust profits generated in Germany and the fact that under German law these gains may not be offset immediately through tax loss carryforwards.

Current interest-bearing loans: (–40%)

The decrease resulted from the reclassification of factored receivables not yet due, which fell by €2.0 million in 2007 for the Norzinco sub-group, and the elimination of the commitment to buy out the minority shareholder in Norzinco SA (€3.4 million) following the exercise of the option to buy out this minority shareholder.

Outstanding tax liabilities

Outstanding tax liabilities totaled €11.3 million, up from €5.2 million the previous year. They apply for the most part to the Group's German entities.

1.5 Description of the Group's principal risk exposure

Interest rate risk

The Recylex Group's main financial debt is carried by the parent Company Recylex SA. It consists mainly of the frozen liabilities that make up the Recylex SA continuation plan, and four fixed-rate loans by Recylex GmbH, Weser Metall GmbH, C2P and PPM GmbH. Since the liabilities in the continuation plan do not bear interest, the Group is not hedging interest rate risk.

Exchange rate risk

Given that metal prices are quoted in dollars and certain supply contracts are denominated in dollars, the Group is exposed to exchange rate risks.

Exchange rate related losses recorded in 2007 amounted to €1,237 thousand.

The Group has not hedged its exchange rate exposure in 2007.

Credit risk

The policy of the Group with respect to credit risks differs according to the segment.

Within the lead segment, the Group maintains business relationships with a limited number of customers, whose financial health is proven and for which payment terms are very short.

In other sectors characterized by a more fragmented customer base, the Group's policy is to cover some customer receivables through credit insurance. The Group also continuously monitors outstanding customer receivables, which limits its exposure to uncollectible accounts receivable.

The Group's credit risk exposure related to other financial assets – cash, cash equivalents and financial assets — is minimal, as it deals only with top-rated financial institutions and low-risk investment products.

Metal price risk

The Group is exposed to risks associated with changes in metal prices, in particular those of zinc and lead. That risk remains limited to the portion of purchases related to secondary materials (batteries), for which the price is not indexed to market rates.

In 2007, the Company put lead and zinc price hedges in place.

Liquidity risk

Recylex SA established a monthly cash flow forecast for 2008 based on available information, in particular with respect to disbursements associated with the creditor reimbursement plan. These forecasts continually show recurring surplus cash.

The Group subsidiaries have also prepared cash forecasts (within the cash pool) for 2008. These forecasts have not revealed any additional net working capital requirements.

Risk associated with legal disputes

See risks associated with "Characteristic events".

2. Characteristic events

Major events

The two major events of 2007 were the spectacular rise in lead prices and the change in the corporate name.

Metal prices

Average annual lead prices denominated in US dollars doubled in 2007, rising from 1,287 USD/ton in 2006 to 2,595 USD/ton last year. However, the euro's appreciation against the dollar during this period helped to mitigate the impact of this increase, as lead prices denominated in euros rose by 83% from 1,024 EUR/ton in 2006 to 1,882 EUR/ton in 2007.

Zinc prices peaked at more than 4,000 USD/ton in May 2007 before plummeting in the second half of the year, with the average annual price in 2007 falling below that of 2006.

Name change

On July 16, 2007, the Shareholders' General Meeting approved the change in the Company's name proposed by the Board of Directors, at which point Metaleurop effectively became Recylex. This name reflects the decision by the Company and Group, supported by the know-how of its staff, to refocus on the recycling business, in particular with respect to batteries and secondary zinc materials. The Group thereby demonstrates its capacity to develop a clear and targeted industrial strategy and position itself as a leading European recycling specialist, with an environmentally sustainable and socially responsible approach.

Also noteworthy was the fact that the Villefranche-sur-Saône plant received ISO 14001 environmental certification, as did the plant of the Belgian subsidiary FMM.

The volume of processed batteries at the Villefranche-sur-Saône and Escaudœuvres plants increased by 6,500 tons

in 2007, bringing the total volume to more than 94,000 tons last year.

With Recylex SA subsidiary Delot Métal SA acquiring the 45% minority interest in Norzinco SA on March 8, 2007, the Recylex Group became the Norzinco Group's sole shareholder. The purchase price of €3,402 thousand was consistent with the amount specified in the Norzinco SA shareholders' agreement.

In March 2007, Reinstmetalle Osterwieck GmbH (RMO), a subsidiary of PPM, paid €4,285 thousand to acquire the assets of Astron, a Company specializing in arsenic tetrachloride. RMO was consolidated in the Recylex Group financial statements for the year ended December 31, 2007.

Pending litigation

Two legal disputes launched by former employees and the liquidators of Metaleurop Nord SAS against Recylex SA in early 2006 are still pending:

1. The first dispute is pending with the Labor Court (*Conseil des prud'hommes*) of Lens: at the hearing before the industrial section on October 19, 2007, the case was postponed to be heard by the judge with a casting vote owing to a split decision, with pleadings taking place on December 5, 2007. Judgement was reserved for June 27, 2008. The hearing before the management section took place on January 29, 2008, and a decision is due to be handed down on September 30, 2008. Each petitioner is claiming payment of compensation of €30,000 plus €300 in expenses. The total number of petitioners for all sections is 585, as one petition has been struck off the rolls in early 2008;

2. The liquidators of Metaleurop Nord SAS have filed a claim against Recylex SA for repayment of liabilities of Metaleurop Nord SAS up to €50 million. On February 27, 2007, the Regional Court (*Tribunal de grande instance*) of Béthune, ruling in commercial session, rejected this claim. The court found on the merits of the case that the Company was not the *de facto* manager of Metaleurop Nord SAS. The liquidators lodged an appeal against this ruling. As of the date of this report, the timetable for the Douai Appeal Court hearing was not known.

It should be noted that no provisions have been established in the parent Company or consolidated financial statements of Recylex SA in relation to these cases, given the state of advancement of the labor arbitration proceedings and the favorable ruling handed down by the Regional Court of Béthune, ruling in commercial session and holding that Recylex SA was not the *de facto* manager of Metaleurop Nord SAS. It should also be reminded that the damage claims in these cases are not taken into account in the continuation plan, and should Recylex SA be held liable in these two cases, the execution of the continuation plan could be jeopardized.

Recylex SA continuation plan

The Group's priority remains satisfying the commitments undertaken by Recylex SA under the continuation plan, whose objectives of equal importance include, the continuation of the Group's activities and maintenance of the Group's 600 employments, the assumption of the Group's environmental responsibility and the repayment of €26 million in outstanding debt over a 8-year period. In that respect, the Group made the plan's second scheduled installment payment of approximately €11 million in November 2007. The third installment, the payment of which is scheduled for November 2008, is amounting to €1.8 million.

3. Recent trends and outlook

The market correction in lead prices observed in late 2007 carried over to early 2008, as they fell to below 2,500 USD/ton. In February 2008, raw material prices surged once again, in particular for metals, and lead prices spiked back up to more than 3,000 USD/ton.

4. Post-closing events

In late January 2008, *l'Institut bruxellois de gestion de l'environnement* (IBGE, *"Belgian environment management authorities"*) recorded a high mercury level in the emissions from Belgian subsidiary FMM SA's smoke stack, which was most likely attributable to accidental pollution of its raw materials, since its activities are confined to the processing of materials that do not contain mercury.

On January 25, 2008, FMM's lead smelting and refining activities were suspended by IBGE, while the battery handling and sale business was allowed to continue. FMM lodged an appeal against IBGE's decision and rapidly took action to curb the impact of this incident on its activities by working together with the Group's other subsidiaries. On March 4, 2008, the environmental authorities overturned IBGE's decision.

Keen to prevent any future risks of accidental mercury pollution, FMM implemented, in conjunction with IBGE, an action plan controlling raw materials and processing smoke stack emissions, with a view to starting up operations again at the end of the first quarter of 2008. Though regrettable, this incident should not have a material impact on the Group.

5. Company sales and earnings (Corporate financial statements)

Recylex SA generated net income of €25.3 million.

A proposal will be submitted to the Shareholders' General Meeting to allocate €875 thousand to the legal reserve and the balance, i.e. €24.5 million, to retained earnings, which will show a credit of €16.6 million.

The battery processing activity generated €83 million in revenues and operating income of €25.9 million.

Recylex SA's five-year summary results table is presented in the appendix of this report.

Analysis of the debt position

During the previous accounting year, the Company had not contracted any new debt, as operating cash flows remain positive.

The Company satisfied the second installment of its continuation plan payments with an €11 million transfer to creditors on November 24, 2007.

As of December 31, 2007, financial and operating debt totaled €33 million, of which €24.6 million with a maturity of more than one year under the continuation plan. Frozen debt under this plan does not bear interest.

Description of the Company's principal risk exposure

Interest rate risk

Since the debt covered by the continuation plan does not bear interest, the Company does not have significant exposure to the risk of interest rate fluctuations.

Exchange rate risk

Since Recylex SA purchases and sells its products for the most part in the European market, the exchange rate risk is residual.

Credit risk

The products generated by the battery recycling business are sold to Group subsidiaries. Customer credit risks are therefore controlled.

Liquidity risk

Following the Paris Commercial Court's acceptance of the continuation plan on November 24, 2005, the Company's debt was rescheduled.

Recylex SA established a 2008 monthly cash flow forecast based on available information, in particular disbursements associated with the creditor reimbursement plan. These forecasts show recurring positive cash flow.

6. Changes in valuation methods

No changes in valuation methods occurred in 2007.

7. IFRS

Pursuant to the European Regulation 1606/2002 of July 19, 2002 on international accounting standards, the Recylex Group's consolidated financial statements for the year ending December 31, 2007 were prepared in accordance with the applicable IAS/IFRS at that date.

8. Research and development

No material research and development expenditures were made in 2007.

9. Minority and majority interests

No minority or controlling interests were acquired in 2007.

10. Non-deductible expenses

The total amount of non-deductible expenses for tax purposes totaled €23,830 in 2007.

11. Dividends during the past three years

Recylex SA has not paid out any dividends during the past three fiscal years.

12. Treasury stock

The Company did not purchase or sell any treasury shares in 2007.

13. Ownership and compensation of Company directors and officers

Ownership

As of December 31, 2007, the beneficial ownership of Recylex SA's capital stock was as follows:

	Shares	Voting rights
Glencore Finance Bermuda	32.22%	32.29%
Free float	67.48%	67.71%
Treasury shares	0.3%	–

On October 4, 2007, the Company was informed that JPMorgan Asset Management (UK) Limited had exceeded the 5% threshold with respect to share ownership and voting rights. On November 5, 2007, JPMorgan Asset Management (UK) Limited informed the Company that its ownership interest had fallen below the 5% threshold as of October 29, 2007 and was 4.70%.

On March 29, 2007, Amiral Gestion reported that it held 5.46% of the Company's capital stock and voting rights. On June 1, 2007, Amiral Gestion notified the Company that its ownership interest had fallen below the 5% threshold to 4.70% of the capital stock and voting rights.

In accordance with Recylex SA's by-laws, double voting rights are attributed to all fully paid-up shares registered in the name of the same shareholder for at least two years.

Transactions on the Recylex shares carried out by the Company directors and officers in 2007

No transaction on the Recylex shares has been carried out by any director or officer of the Company during the past accounting year.

Current delegation of authority and powers approved by the Shareholders' Meeting to the Board of Directors related to capital increases

The Shareholders' Extraordinary Meeting of September 26, 2005 authorized the Board of Directors for a period of up to 26 months to increase the capital stock for the benefit of the employees of the Company and affiliated companies who participate in the Company savings plan.

Given the difficulties facing the Company, this authorization has not been implemented.

In accordance with article L. 225-129-6, paragraph 2 of the French Commercial Code, the Board of Directors will submit a resolution to the Shareholders' Meeting aiming at authorizing the Board to carry out a capital increase reserved to the employees of the Company and affiliated companies who participate in the Company savings plan.

Employee shareholders

As of December 31, 2007, Group employees held no shares of Recylex SA as part of a Company savings plan or Company investment fund.

Further to the repurchase by the Company of 73,939 of its own shares within the framework of a stock repurchase program authorized by the Shareholders' Meeting of March 30, 2000, the Shareholders' Meeting of September 26, 2005 decided to set aside these treasury shares for the purpose of stock allocations to Group employees, notably as part of stock option plans benefiting Company employees and directors and officers.

The Shareholders' Meeting of July 16, 2007 authorized the Board of Directors for a maximum period of 38 months to attribute bonus shares from the 73,939 treasury shares, in accordance with the provisions of articles L. 225-197-1 through L. 225-197-3 of the French Commercial Code, on behalf of part or all employees and/or directors and officers of the Company and affiliated companies as defined by article L. 225-197-2 of the French Commercial Code, meeting the legal requirements.

During the fiscal year ended December 31, 2007, none of the 73,939 treasury shares was allocated.

In order to take into account the different taxation and benefit systems applicable to beneficiaries of bonus share allocations, depending on whether they reside in France or Germany, the Board of Directors shall submit to the Shareholder's Meeting a resolution aiming at amending the terms of the bonus share allocation program authorized by the Shareholders' Meeting of July 16, 2007.

Moreover, in accordance with article L. 225-129-6, paragraph 2 of the French Commercial Code, the Board of Directors will submit a resolution to the Shareholders' Meeting aiming at authorizing the Board to carry out a capital increase reserved to the employees of the Company and affiliated companies who participate in the Company savings plan.

Compensation of directors and officers for 2007

In accordance with the provisions of article L. 225-102-1 of the French Commercial Code, the total compensation to Company directors and officers, including bonuses and benefits in-kind paid by Recylex SA and all other companies (including foreign) under its control, broke down as follows in 2007:

Gross compensation (in euros) in 2007, including where applicable benefits in-kind, severance benefits and attendance fees

Mr. Yves Roche Chairman and Chief Executive Officer	€ 371,246
Mr. Richard Robinson Board member	€ 109,584*
Mr. Aristotelis Mistakidis Board member	€ 20,000
Mr. Mathias Pfeiffer Board member	€ 32,000*

* Includes compensation for services provided as a consultant.

Attendance fees:

The Shareholders' General Meeting of July 28, 2006 set the annual attendance fees to be paid to directors at €110,000 for that year and subsequent years until such time as the Shareholders' Meeting approves new fees.

The Board of Directors of December 12, 2006 decided to allocate the attendance fees as follows:

- the Chairman of the Board of Directors receives €30,000 per year;
- all other Board members receive €20,000 per year.

The total amount of attendance fees paid to directors for the 2007 fiscal year was €90,000, of which €30,000 to the Chairman of the Board and €20,000 to the other Board members, with the exception of Mr. Alain Ostier, whose mandate came to an end.

Compensation of Company directors:

In 2007, the Group's companies paid Mr. Yves Roche gross fixed compensation totaling €173,830 and variable compensation in the amount of €160,000.

Mr. Yves Roche is also provided a Company vehicle.

The compensation paid to the other directors is fixed.

With respect to all types of commitments made by the Company for the benefit of its Company officers:

At its March 18, 2008 meeting, the Board of Directors decided to attribute an indemnity to Mr. Yves Roche that would be paid to him in the event his position as Managing Director is terminated following a significant change in the shareholder structure at Recylex SA having the support of the Board

of Directors, provided Mr. Yves Roche has facilitated such change and the transition with the new reference shareholder. This indemnity would be equivalent to double the gross compensation received under his Company mandate during the most recent fiscal year prior to such termination and would only be payable after confirmation by the Board of Directors that the performance objectives have been met.

14. Composition of Board of Directors, with references to Company mandates held by each member in 2007

As of December 31, 2007, the list of mandates held by Board members was as follows:

Mr. Yves Roche

Chairman and Chief Executive Officer	• *Recylex SA* • *Delot Métal SA*
Chairman of the Board	• *Recytech SA* • *Norzinco SA*
Board member	• *FMM SA*
Manager	• *Groupement Forestier de Malacan*
Supervisor	• *Recylex Commercial SAS*

Mr. Richard Robinson

Board member	• *Recylex SA* • *Recytech SA* • *Serabi Mining Plc* • *Norzinco SA (permanent representative of Recylex SA – Director)*
Chairman	• *Metalor Technologies International SA*

Mr. Aristotelis Mistakidis

Board member	• *Recylex SA* • *Pasar*
Chairman	• *Portovesme srl* • *Mopani*

Mr. Mathias Pfeiffer

Board member	• *Recylex SA*

Mr. Alain Ostier was a Board member from January 1, 2007 through July 16, 2007, at which time the Company's Shareholders' Meeting terminated his mandate.

15. Social policy

Human resources

The information provided below concerns Recylex SA, whose employees are located primarily at the corporate headquarters and battery recycling plants located in Villefranche-sur-Saône and Escaudœuvres.

The number of full-time employees as of December 31, 2007 was 30, including 7 managers, 13 technical supervisors (ETAM) and 10 blue collar workers.

As of December 31, 2007, women represented 27% of the employees and 29% of management personnel.

In accordance with the principle of equal treatment and pay for comparable job responsibilities, men and women receive the same professional rankings based on their inherent job responsibilities.

In 2007, Recylex SA used the services of six interim employees in addition to its regular staff, including four interim workers at the Escaudœuvres site and two at the Villefranche-sur-Saône site.

Total salary expense in 2007 was €1.7 million, versus €1.4 million in 2006.

Excluding internal training measures, Recylex SA's continuing education initiatives represented 1.11% of total salary expense in 2007, as compared to the legal obligation of 1.60%.

Employees improved their skills through the following training courses:

- security vehicle driver training (Caces certificate);
- workplace first aid – single document;
- hazardous materials transportation regulations;
- technical training;
- fire prevention, use of fire extinguishers;
- awareness training with respect to ISO 14001;
- management;
- legal.

The working hours are based on the 35-hour workweek established in accordance with collective bargaining agreements implementing the law on reduced working hours.

An employee representative and his deputy represent the staff before management.

In 2007, four meetings were held with the employee representatives.

In 2007, employees worked 503 overtime hours.

The average absenteeism rate for the year was 2.34%.

The overall salary increase is revised each year.

As of December 31, 2007, the Company did not have any handicapped workers.

Workers and technical supervisors receive a 13th month of salary in December as well as a half month in June. All employees receive a family supplement.

The Company subcontracts out several services, including the transportation of supplies, the maintenance of the grounds at its sites, the cleaning of administrative offices and workshops and the maintenance of the industrial sites. In 2007, the number of supplier personnel assigned to Recylex SA was 12 persons.

The Company maintains close relationships with local authorities such as municipal councils and the Regional Authorities for Industry, Research and the Environment. It also participates in the local community and, notably, supports cultural and sporting associations.

Health and safety

The new, very stringent limits imposed by legislation concerning blood lead levels led to a reinforcement of preventive measures to fight the risk of lead poisoning.

Given the limited number of employees at our sites, Recylex SA has chosen to concentrate its actions on those employees most at risk in coordination with the medical officers working closely with Recylex SA and providing invaluable support to the Company.

At the Villefranche site, the Company worked with the Regional Health Insurance Fund (CRAM) on an action program to reduce lead dust in the workshops. We have seen excellent results and a significant decrease in dust levels.

Recylex SA is taking the necessary steps to achieve its goal of keeping blood lead levels for staff members with lead exposure at less than 400 micrograms per liter (µg/l).

With respect to safety, the Escaudœuvres plant regrets a workplace accident with work stoppage after seven years without an accident.

The Villefranche-sur-Saône plant also had an accident.

No professional illnesses were reported.

16. Environment

In accordance with applicable laws and regulations on the disclosure of environmental information, Recylex SA presents its 2007 "Environmental performance" report in the same format as in previous annual reports to facilitate comparisons.

The information provided in this report concerns the sites of material interest in terms of their environmental risk.

Environmental results

The only operating industrial facilities at Recylex SA are the "breakers plants" in Villefranche-sur-Saône and Escaudœuvres. Both sites are located in industrial zones far from any protected area, such that no special measures are necessary with respect to protected species. Because of the cessation of pyrometallurigical activities at those two sites in 1999 and 2001, the environmental impacts have decreased considerably since those years.

The relevant values measured or calculated are provided in the table below*:

	Annual total for Recylex SA production sites in 2006	Annual total for Recylex SA productions sites in 2007
Water consumption measured		
• Wells + Municipal water	22,451 m^3	20,116 m^3
Energy consumption measured		
• Natural gas	2,725 MWh	2,515 MWh
• Electricity	2,015 MWh	1,807 MWh
Waste produced eliminated in authorized disposal sites (CET1)	3,300 tons	3,492 tons
Air emissions		
• Lead (channeled emissions measured)	16.4 kg	12.9 kg
• Cadmium (channeled emissions measured)	0.09 kg	0.04 kg
• Total of other heavy metals (emissions calculated)	< 1 kg	3.3 kg
• HCl (channeled emissions measured)	< 10 kg	< 10 kg
• SO_2 (channeled emissions measured)	< 100 kg	< 100 kg
• NOx (channeled emissions measured)	not measured	404 kg
• COV (channeled emissions measured)	< 2,000 kg	< 2,000 kg
• CO_2 (greenhouse gas calculated)	551 tons	518 tons
Discharges in water (discharge measured)		
• Lead	0.94 kg	0.99 kg
• Arsenic	1.02 kg	0.58 kg
• Cadmium	0.33 kg	0.68 kg

* In general, all measured data are obtained by self-monitoring. This self-monitoring is verified at least once a year by an authorized body and subject to unannounced controls by the Regional Authorities for Industry, Research and Environment (DRIRE).

Comments on 2007 performance:

- water resources were conserved through wastewater reuse at the sites. The higher rainfall amounts helped to reduce well water usage;
- energy consumption decreased despite the increase in production but waste material production followed the increase of treated materials;
- lead emissions were down, thanks to better control of filtration systems;
- metal discharge in water remained low, with levels often close to the analytical limits.

Because of the industrial activity, the soils at both sites have been subject to a certain level of pollution, mainly lead-related. That historical pollution has been identified and is being monitored. This awareness has permitted the partial clean-up of the sites in the past during periods of construction, without interrupting production.

The business activity has also contributed to fallout outside of the specially designated industrial zones through airborne transfer of dust. Air, soil and vegetation quality are all regularly and periodically verified around the sites.

Because of the lead levels in the soil surrounding the production sites, Recylex SA has worked with the competent authorities to test its units for health risks in order to assess the potential risk to the neighboring area.

Based on the results of these studies, public utility easements introducing usage restrictions were established by prefectoral decree in May 2004 for Escaudœuvres and November 2005 for Villefranche-sur-Saône.

In 2005, a neighbor approached Recylex SA regarding lead pollution levels that could limit his ability to use his property. A settlement was reached that puts an end to this claim.

No complaints regarding odors or noise were raised in 2007.

The Group's other French plants (Recylex SA subsidiaries) do not have any effluvial waste.

Internal units for environmental management and prevention

Recylex SA has developed an Environmental Management System (EMS) applicable throughout the Group. The system is based on the environmental charter adopted by Recylex in 1995-1996 and on Group procedures finalized in 1998.

The EMS constitutes the framework that allows the Group to identify the impact of its activities, define improvement objectives, implement action plans and assess results.

The implementation of an environmental policy falls upon the local management of the establishments or subsidiaries, which ensures compliance with environmental standards and contact with local authorities and populations. The EMS is consistent with the principles of the continuous improvement of the ISO 14001 environmental standard.

An audit of environmental risks at all industrial sites has been scheduled for 2008 in order to strengthen the Recylex Group's environmental management tools.

Each site or subsidiary seeks to obtain environmental certification. The German subsidiaries had already achieved this objective, and the Villefranche-sur-Saône and FMM SA (Belgium) sites were certified in 2007. A training initiative for raising environmental awareness with respect to ISO 14001 was organized in 2007.

Further to the changes in the classification criteria of dangerous sites, the subsidiary Norzinco SA, producing zinc oxydes from zinc scraps, has been categorized Seveso High Level, with the obligation to implement a safety management system. In 2007, Norzinco SA has carried out a risks assessment study and proposed an internal organization plan in case of major accident.

Measures taken to improve energy efficiency and reduce environmental impacts

The energy saving measures taken are part of a long-term strategy to optimize the flows of plumbiferous materials between the various plant facilities. The factories use natural gas and electricity for their energy needs.

This strategy has resulted in the progressive discontinuation of the traditional smelting and refining activities, and the conversion of the sites into separation and sorting centers. The metallurgic processing of plumbiferous materials has been concentrated at a single Group site that invested in a new generation of oven around 10 years ago.

By its nature, the recycling business is low-cost with respect to raw materials, and the reorganization of production has considerably reduced waste volumes for disposal in CRT1 landfills. No particular measures were taken concerning energy efficiency.

Environmental expenditures

Environmental expenditures include two separate categories: expenditures related to equipping, maintaining and monitoring the operating units on the one hand, and costs resulting in the remediation of the old production sites and mines of Recylex SA on the other. The environmental provisions are established as soon as an administrative procedure has begun or Recylex SA has begun working on improving its environmental performance.

Expenditures related to active sites

Environmental expenditures related to the two active Recylex SA sites totaled €1 million in investments and €702,000 in operating, control and research expenses. The amount of provisions related to these items reached €186,000 as of December 31, 2007.

Expenditures related to discontinued industrial and mining sites

- The l'Estaque site, which ceased operations in 2001, was the only industrial site to have engineering studies and remediation efforts performed in 2007. Work will continue there for several years, and a provision totaling €17,226,000 was recorded as of December 31, 2007. A new schedule calling for completion of the clean-up work by December 31, 2010 was submitted to the authorities in March 2006. In August 2006, a complementary decree required that

Recylex SA perform an initial remediation phase scheduled for completion in the first quarter of 2008.

- In addition, Recylex SA continues to hold various mining concessions that are not exploited and for which a long-term policy of abandoning these sites subsequent to their rehabilitation has been defined. In 2007, the costs associated with the remediation of these sites amounted to €1,864,000 for Recylex SA. With respect to this policy, provisions associated with covering the costs of securing, remedying and monitoring these sites until the mining activity is abandoned amounted to €5,728,000 as of December 31, 2007.

The most significant work performed concerned the following sites: Arrens and Pierrefitte (Hautes-Pyrénées), Saint-Salvy and Peyrebrune (Tarn) and Trèves (Gard). A rehabilitation program is revised and presented each year to the relevant authorities in order to obtain the abandonment of all mining concessions (29 in all) by 2008-2010. In 2007, four mining concessions were given back to the French government, along with the eight concessions retroceded previously. Recylex SA is launching the processes for the 17 remaining concessions.

Information concerning foreign subsidiaries

Environmental performance

The subsidiary with the potential to make the greatest contribution to the Recylex Group's environmental performance is located in Nordenham, Lower Saxony, Germany. That site is rated Seveso II.

Within the regulatory framework, Seveso risk assessment is entrusted to specialized engineering firms. An emergency plan was established with local authorities, but no risk of explosion that could cause damage to inhabitants living near the factory was identified. Liability insurance coverage amounts to €10 million.

The Nordenham plant includes two operating companies: Weser Metall GmbH (lead business) and Metaleurop Zinkbetrieb GmbH & Co. KG (zinc business), which was sold to Asturiana del Zinc sl at the end of 2002.

The measured or calculated amounts for the lead business only are presented in the following table:

	Annual total for the lead activity in 2006	Annual total for the lead business in 2007
Water consumption measured		
• River water for cooling		
Melting furnace	2,166,621 m³	2,913,430 m³
Desulphurization plant	4,498,098 m³	4,305,603 m³
• Drinking water	169,013 m³	221,430 m³
Energy consumption measured		
• Gas	135,700 MWh	146,277 MWh
• Electricity	48,304 MWh	52,053 MWh
Raw materials consumed (minerals purchased)	52,873 tons	55,903 tons
Discharges eliminated in storage center (CET1)	506 tons	1,163 tons
Airborne emissions		
• Lead (point sources emissions)	332 kg	257 kg
• Lead (fugitive emissions)	510 kg	355 kg
• Cadmium (point sources emissions)	3.5 kg	4.4 kg
• Cadmium (fugitive emissions)	0.7 kg	0.6 kg
• SO_2 (continuously measured emissions)	414 tons	335 tons
• CO_2 (calculated greenhouse gas)	27,957 tons	29,963 tons
• Nox (measured emissions)	7.2 tons	6.4 tons
Effluvial discharge	(no discharge in 2006)	
Flow		790 m³
Lead (measured discharges)		2.30 kg
Arsenic (measured discharges)		1.19 kg
Cadmium (measured discharges)		0.06 kg

Environmental performance was stable and consistent with the 8% increase in production.

- Water resources were conserved despite increased consumption;
- Processed raw materials accounted for only 29% of the total input, with the balance coming from recycled materials;
- Energy consumption was in line with the increase in production;
- The demolition work on the old lead smelting furnace generated above-average waste for disposal in the landfill;
- Air emissions remained stable and well below the allowed limits.

The Group's other German subsidiary, HMG located near Goslar, discharged 36.1 kg of lead and 19.2 kg of cadmium into the water. Air emissions were very low.

Environmental policy of the foreign subsidiaries

As is the case with Recylex SA's French sites, the Company's foreign subsidiaries have a potential impact on the environment, essentially through atmospheric emissions, especially those related to lead and cadmium.

The largest German units are ISO 14001 certified, and along with their goal of complying with local regulations, the subsidiaries are responsible for regularly reducing their emissions.

The FMM subsidiary in Belgium also received ISO 14001 certification in November 2007.

Provisions for environmental expenses

Provisions for environment-related expenses concern essentially Harz Metall GmbH in Oker (Germany), with €9,872,000 set aside for old slag heaps and the area still in use.

Indemnities/fines

- No environmental fines were levied in 2007 for violations of air, water or waste disposal regulations.
- Some subsidiaries pay contractual indemnities to farmers as compensation for the potential negative impact on the yields or quality of their products as a result of the proximity of the plants. In 2007, these indemnities totaled €50,000 at HMG.

17. Elements susceptible of having an influence on public tender offer

Within the framework of article L. 225-100-3 of the French Commercial Code, we hereby reference the items addressed by this article that could have an impact in the event of a public tender offer:

- As of December 31, 2007, ownership of Recylex SA's capital stock broke down as follows:

	Shares	Voting rights
Glencore Finance Bermuda	32.22%	32.29%
Free float	67.48%	67.71%
Treasury shares	0.3%	–

In accordance with the Company's Articles of Incorporation, double voting rights are assigned to fully paid-up registered shares owned by the same shareholder for at least two years;

- The statutory provisions relating to the appointment of the directors and officers of the Company and to the amendment of the bylaws are the following:
  - in case of vacancy of one or several directors positions further to a resignation or a decease, the Board of Directors may, between two General Meetings, proceed with provisional co-optations in order to fill in the positions then becoming available. These co-optations must be ratified by the following General Meeting;
  - the Ordinary General Meeting appoints, replaces, renews or revokes the members of the Board of Directors and ratifies the provisional co-optations decided by the Board;
  - the Ordinary General Meeting may validly deliberate upon first notice only if the shareholders present or represented hold at least one fifth of the voting shares. Upon second notice, no quorum is required;
  - the Ordinary General Meeting adopts its resolutions at the majority of the voting rights held by the shareholders present or represented;
  - the Extraordinary General Meeting is empowered to amend any provisions of the articles of association; such Meeting may however not increase the undertakings of the shareholders, except those transactions resulting from a regular shares regrouping;
  - the Extraordinary General Meeting may validly deliberate only if the shareholders present and represented hold at least one quarter of the voting shares upon first notice, or one fifth of the voting shares upon second notice. In case the last quorum is not reached upon second notice, the second meeting may be postponed up to two months after the first meeting, the same quorum of one fifth of the voting shares being required;
  - the Extraordinary General Meeting adopts its resolutions at the majority of two-third of the voting rights held by the shareholders present or represented;
- In the event Mr. Yves Roche position as Managing Director is terminated following a significant change in the shareholders structure at Recylex SA having the support of the Board of Directors, an indemnity equivalent to double the gross compensation received under his Company mandate during the most recent fiscal year prior to such termination would be paid to him, provided he has facilitated such change and the transition with the new reference shareholder. This indemnity would be and would only be payable after confirmation by the Board of Directors that the performance objectives have been met.

Report of the Board of Directors

to the Shareholders' Ordinary and Extraordinary Meeting of May 6, 2008, first notice of meeting

To the Shareholders,

We have called this Shareholders' Ordinary and Extraordinary Meeting to report on the activities of Recylex SA (hereafter, the "Company") during the fiscal year from January 1 through December 31, 2007, and to submit for your approval the parent Company and consolidated financial statements for the year. We have also called this meeting to ask you to resolve on the approval, as part of a material correction, of the total amount of the capital decrease approved on July 16, 2007, on a proposal of modification of the conditions for free allotment of existing shares, on the delegation of authority to the Board of Directors for the purpose of implementing a capital increase reserved for employees participating in a Company savings plan and on the renewal of the Board of Directors' mandates of Messrs. Yves Roche and Aristotelis Mistakidis.

The Company's activity during the 2007 fiscal year has been summarized for you in the Management Report, which was submitted to you in accordance with legal requirements.

REGARDING THE EXTRAORDINARY MEETING

We have called this Shareholders' Extraordinary Meeting to address the following three resolutions:

I. Modification of condition for free allotment of existing shares (first resolution)

The Board of Directors reminds the Shareholders' Meeting that on July 16, 2007, it authorized the Board of Directors for a maximum period of 38 months to perform a free allotment of shares from the Company's 73,939 treasury shares, in accordance with the provisions of articles L. 225-197-1 through L. 225-197-3 of the French Commercial Code, for the benefit of part or all employees and/or directors and officers of the Company and its affiliated companies as defined by article L. 225-197-2 of the French Commercial Code, meeting the legally established terms.

The Shareholders' Meeting of July 16, 2007 specified that the allotment of shares to beneficiaries would become definitive following an acquisition period of at least two years following the decision to allot the shares and a vesting period of at least two years following the definitive allotment of said shares.

As it turns out, potential beneficiaries included residents of Germany, which has a different taxation and benefits system for beneficiaries of free allotment of shares than does France.

The Board of Directors therefore sought to take these differences into account by proposing to the Shareholders' Meeting to use the discretion allowed it under article L. 225-197-1 paragraph 7, which authorizes it for part or all of the freely allotted shares to set the acquisition period at four years and to reduce or cancel the vesting period, and thereby complement the authorization granted on July 16, 2007 by deciding that:

(i) for beneficiaries who are employees and/or directors and officers of the Company or affiliated companies as defined by article L. 225-197-2 of the French Commercial Code and residents of France, the free allotment of shares would be definitive following a minimum acquisition period of two years starting from the decision to allot the shares and a vesting period of at least two years starting from the definitive allotment of the shares;

(ii) for beneficiaries who are employees and/or directors and officers of the Company or affiliated companies as defined by article L. 225-197-2 of the French Commercial Code and residents of Germany, the free allotment of shares would be definitive following a minimum acquisition period of four years starting from the decision to allot the shares, with no vesting period.

The other conditions of the authorization granted by the Shareholders' Meeting of July 16, 2007 remain unchanged.

II. Capital decrease approved on July 16, 2007 (second resolution)

The Board of Directors reminds the Shareholders' Extraordinary Meeting that on July 16, 2007, it authorized a capital decrease "*through a reduction in the par value of the 23,736,382 existing shares to €2.*"

As of July 16, 2007, however, the number of existing shares was 23,891,382, and not 23,736,382, because of the 155,000 new shares issued through July 16, 2007 via the exercise of stock options from various pending stock option schemes.

Therefore, the Board of Directors invites the Shareholders' Extraordinary Meeting to:

- recognize that as of July 16, 2007, the date at which the Shareholders' Meeting approved a capital decrease by reducing the par value of existing shares to €2, the number of existing shares was 23,891,382 and not 23,736,382;
- approve as a material correction the total amount of said capital decrease in the amount of €43,272,678.94, and not €42,991,939, through a reduction of the par value of the 23,891,382 existing shares to €2, and the net balance

of "retained earnings" to €(7,876,634.63), instead of €(8,157,374.57);

- recognize that in light of the above-referenced capital decrease in the amount of €43,272,678.94 and the capital increase of €631,939.94 following the issuance of 175,600 new shares via the exercise of stock options through December 31, 2007 and recognized by the Board of Directors meeting of February 1, 2008 in accordance with the provisions of article L. 225-178 of the French Commercial Code, the Company's capital stock as of December 31, 2007 totaled €47,823,964, consisting of 23,911,982 shares with a par value of €2 each, fully paid up and belonging to the same class, and confirm as necessary the amendment of the first paragraph of article 5 of the by-laws in accordance with the proposed resolutions submitted to you.

III. Delegation of authority to the Board of Directors to proceed with a capital increase reserved for employees participating in a Company savings plan in accordance with article L. 225-129-6 paragraph 2 of the French Commercial Code (third resolution)

The Board of Directors, recognizing that the shares held by employees of the Company and its affiliated companies in accordance with article L. 225-180 of the French Commercial Code account for less than 3% of the capital stock, and acting in accordance with articles L. 225-129-6 paragraph 2, L. 225-138 I and II and L. 225-138-1 of the French Commercial Code and articles L. 443-1 et seq. of the French Labor Code, invites the Shareholders' Extraordinary Meeting to:

- authorize the Board of Directors, for a period of 26 months starting from the day of this Shareholders' Meeting, to increase the Company's share capital at its sole discretion on one or more occasions and at such time and using such methods as it deems appropriate, through the issuance of common shares or securities convertible into common shares either in existence or authorized, reserved for employees of the Company or its affiliated companies who are participating in the Company savings plan, or through the free allotment of common shares or securities convertible into common shares either in existence or authorized, notably through the incorporation into the capital stock of reserves, profits or additional paid-in capital, within the legal and regulatory limits;
- set at €100,000 the maximum amount of the nominal increase in the Company's capital resulting from the combination of all share issues made under the scope of this authorization through the incorporation of reserves, earnings or additional paid-in capital under the terms and limits set forth by the above-referenced articles of the French Labor Code and implementation decrees, with the stipulation that this maximum amount does not include the nominal amount of any common shares issued in the context of adjustments made to protect holders of warrants convertible into common shares;
- waive, for the benefit of its employees and former employees, the pre-emptive right of shareholders to subscribe common shares or securities convertible into common shares to be issued as part of this authorization, and waive all rights to shares or other securities attributed at no cost on the basis of this authorization;
- set the discount offered in the context of the Company savings plan at 20% of the average price of Recylex shares on the Eurolist of Euronext during the first 20 trading days prior to the date when the decision is made to set an opening date for the subscription period. Instead of part or all of this discount, the Board of Directors may decide to substitute the attribution of shares or other securities pursuant to the provisions listed in the following paragraph;
- authorize the Board of Directors to attribute, at no cost, common shares or securities convertible into common shares in the Company, with the stipulation that the total benefit resulting from this attribution or, where applicable, the discount mentioned in the above paragraph, not exceed the benefit that the participants in this Company savings plan would have benefit if the difference had been 20%; this authorization is also subject to the stipulation that the recognition of any monetary value of common shares attributed at no cost and valued at the subscription price not exceed the statutory limits;
- grant all powers to the Board of Directors in order to implement this resolution.

REGARDING THE ORDINARY MEETING

We have also called this Shareholders' Ordinary Meeting to resolve upon eight resolutions relating in particular to the approval of the financial statements of the Company and the consolidated financial statements and the renewal of the Board of Directors mandates of Messrs. Yves Roche and Aristotelis Mistakidis.

IV. Approval of financial statements and consolidated financial statements – allocation of profit (fourth through sixth resolutions)

The Board of Directors invites the Shareholders' Meeting to approve the financial statements and the consolidated financial statements for the year ended December 31, 2007, as presented to it, and to allocate the profit for the 2007 fiscal year, i.e. €25,377,092.58, which includes recognition of a non-recurring expense of €121,693.14 related to stock options granted in 2002, as follows:

- in the amount of €875,022.89 to the "legal reserve";
- in the amount of €24,502,069.69 to "retained earnings", whose net balance is reduced to €16,625,435.06 after deduction of previous carried forward losses totaling €7,876,634.63.

The Board of Directors also recommends that the Shareholders' Meeting approve the amount of deductible expenses, as defined in article 39-4 of the French General Tax Code, which totaled €23,830.

V. Decision in accordance with articles L. 225-38 et seq. of the French Commercial Code (seventh resolution)

The Shareholders' Meeting is asked to take note of the conclusions of the Special Report of the Statutory Auditors and to approve the agreements referenced in the report.

VI. Proposed renewal of Board mandates of Directors Yves Roche and Aristotelis Mistakidis (eighth and ninth resolutions)

The Board of Directors recommends that the Shareholders' Ordinary Meeting renew the Board terms of Directors Yves Roche and Aristotelis Mistakidis, for a period of three years ending with the Shareholders' General Meeting called to approve the financial statements for the year ending December 31, 2010.

VII. Undertaking under article L. 225-42-1 of the French Commercial Code in the benefit of Mr. Yves Roche (tenth resolution)

The Board of Directors proposes to the Shareholders' Ordinary Meeting to approve the undertaking to pay an indemnity to Mr. Yves Roche in the event he is required to step down from his functions as Managing Director following a significant change in ownership at Recylex SA having the support of the Board of Directors, provided Mr. Yves Roche has facilitated such change and the transition with the new reference shareholder.

VIII. Powers (eleventh resolution)

Finally, the Board of Directors recommends that you grant full powers to the bearer of the original minutes of this meeting or a copy thereof, as well as a copy of its appendixes, for the purpose of carrying out all notification or formalities.

Statutory Auditors' report

on the transactions related to the Company's share capital provided for in resolutions no. 1, 2 and 3 of the Ordinary and Extraordinary Shareholders' General Meeting of May 6, 2008

To the Shareholders,

In our capacity as Statutory Auditors of your Company and in accordance with the engagements set forth by the French Commercial Law (*Code de commerce*), we hereby submit to you our report on certain transactions related to the Company's share capital, on which you are asked to vote.

1. Amendment to the conditions for granting free existing ordinary shares to Group's employees and relevant directors (Resolution no. 1)

In performance of the duties laid down in article L. 225-197-1 of the French Commercial Law (*Code de commerce*), we had drawn up, on June 14, 2007, a report presented in your shareholders' General Meeting of July 16, 2007 on the proposed granting free existing shares to employees and relevant Directors of the Company and of companies or groupings linked to it within the meaning of article L. 225-197-2 of the French Commercial Law (*Code de commerce*). This Shareholders' General Meeting had decided that the grant of such shares to their beneficiaries will be final at the end of a minimum acquisition period at least equal to two years and that the beneficiaries shall keep such shares for a mandatory holding period at least equal to two years after such shares have been definitively granted.

Your Management Board asks you to decide, in accordance with the provision of article L. 225-197-1 of the French Commercial Law (*Code de commerce*), that the minimum acquisition period should equal to four years and there would be no mandatory holding period, therefore amending the authorization given on July 16, 2007, the remaining terms being unchanged.

It is your Management Board responsibility to draw up a report on this transaction, which it hopes to be able to carry out. It is our responsibility to give you, where necessary, our observations on the information provided to you on the proposed transaction.

We carried out the work that we considered necessary in accordance with professional standards applicable in France. This work involved verifying, in particular, that the methods envisaged and detailed in the Management Board's report are in accordance with the provisions laid down in law.

We have no matters to report regarding the information provided in the Management Board's report on the proposed amendment to the conditions for granting free existing ordinary shares to Group's employees and relevant directors.

2. Reduction of share capital caused by prior losses (Resolution no. 2)

In performance of the duties laid down in article L. 225-204 of the French Commercial Law (*Code de commerce*) in the event of a share capital reduction, we had drawn up on June 14, 2007 a report presented in your Shareholders' General Meeting of July 16, 2007 to give you our assessment of the reasons and terms of the planned reduction of the par value of the share to €2 for the 23,736,382 existing shares. The number of existing shares as at July 16, 2007 was actually 23,891,382, and not 23,736,382, since 155,000 new shares had been issued until July 16, 2007 following the exercise of stock options resulting from existing stock option plans.

Your Management Board asks you to correct this material error and, in performance of the duties laid down in article L. 225-204 of the French Commercial Law (*Code de commerce*) in the event of a capital reduction, we draw up this new report to give you our assessment of the reasons and terms of the planned correction of the capital reduction .

We carried out our work in accordance with professional standards applicable in France. Those standards require that we carry out the work necessary to enable us to assess whether the reasons for and terms of the correction are due and proper. We have verified, in particular, that the capital reduction would not bring the share capital below the minimum required by law and that it does not affect the shareholders equality.

We have no matters to report regarding the reasons for and terms of this capital reduction which, as a consequence, as at July 16, 2007, has reduced the share capital of your Company from €91,055,443 to €47,782,574.

3. Issuance of share capital or marketable securities to be granted to employees that subscribe to the Company's savings plan (Resolution no. 3)

In performance of the duties laid down in articles L. 225-135 et seq. and L. 228-92 of the French Commercial Law (*Code de commerce*), we hereby submit to you our report on the proposal to increase the capital, on one or more occasions, with the waiver of preferential subscription rights, by the issuing of share capital or marketable securities to be granted to employees of the Company, and of companies or groupings linked to it, that subscribe to the savings plan, up to a maximum nominal value of €100,000, this being a transaction on which you are asked to vote.

This capital increase is submitted for your approval in accordance with the provisions of articles L. 225-129-6 of the French Commercial Law (*Code de commerce*) and L. 443-5 of the French Labour Law (*Code du travail*).

Your Management Board proposes, on the basis of its report, that you delegate to it, for a period of 26 months, the authority to decide to increase the share capital on one or more occasions and to waive your preferential subscription rights in respect of the capital securities to be issued. It will be the responsibility of the Management Board to set, where necessary, the issue terms of these transactions.

It is the responsibility of your Management Board to draw up a report in accordance with articles R. 225-113, R. 225-114 and R. 225-117 of the French Commercial Law (*Code de commerce*). It is our responsibility to give our opinion on certain information contained in said report and on the proposal to waive preferential subscription rights.

We carried out our work in accordance with professional standards applicable in France. Those standards require that we carry out the work necessary to enable us to verify the content of the Management Board's report on said transaction and the methods for determining the issue price of the capital securities to be issued.

Subject to the subsequent review of the conditions set for the issue which will be decided, we have no comments to make on the methods for determining the issue price of the capital securities to be issued as detailed in the Management Board's report.

Since the issue price of the capital securities to be issued has not been set, we express no opinion on the final conditions under which any capital increases will be carried out and, consequently, on the waiver of preferential subscription rights proposed to you.

In accordance with article R. 225-116 of the French Commercial Law (*Code de commerce*), we shall draw up a supplementary report, where necessary, on the use of this authorization by your Management Board.

The Statutory Auditors

Paris-La Défense and Neuilly-sur-Seine, March 31, 2008

KPMG Audit Division of KPMG SA	Deloitte & Associés
Catherine Porta Partner	Albert Aïdan Partner

Special report of the Board of Directors

to the Shareholders' Ordinary and Extraordinary Meeting of May 6, 2008 on the completion of stock repurchase programs authorized by the Company

In accordance with the provisions of article L. 225-209 paragraph 2 of the French Commercial Code, we hereby present a special report on the status of stock repurchases previously authorized by the Company and noting for each outcome the number of shares and price of the repurchased stock, the volume of shares used for these purposes and any reallocations toward other uses.

In that respect, we remind you that the Shareholders' Ordinary and Extraordinary Meeting of March 30, 2000 authorized the Executive Board, for a maximum period of 18 months, to repurchase up to 5% of the capital stock, with a purchase price of no more than €16 per share and a sale price of no less than €7.

It also authorized stock purchases for the following purposes: to stabilize the share price; attribute or sell shares to employees as part of a profit-sharing plan, employee share ownership plan or Company savings plan; the subsequent cancellation of shares pursuant to terms set by the Shareholders' Meeting; a stock sale, exchange or transfer; or the implementation of a savings and financial policy specifying that purchases, sales and transfers of these shares may be made at any time and by any means, including the use of options.

Within the framework of this stock repurchase program, the Company repurchased 73,939 of its own shares between September 2000 and June 2001.

Through a decision taken on September 26, 2005, the Shareholders' Ordinary Meeting set aside the Company's 73,939 shares for the purpose of stock allocations to Group employees, notably as part of stock option plans benefiting employees and directors and officers.

The Shareholders' Meeting of July 16, 2007 authorized the 73,939 treasury shares to be used for a bonus share allotment scheme in accordance with the provisions of articles L. 225-197-1 to L. 225.197-3 of the French Commercial Code.

During the fiscal year ended December 31, 2007, none of the 73,939 treasury shares was alloted.

We hereby notify you that we have decided to amend the terms of the bonus share allotment scheme authorized by the Shareholders' Meeting of July 16, 2007 in order to take into account the different taxation and benefit systems applicable to beneficiaries of bonus share allotment, depending on whether they reside in France or Germany.

A resolution related to the amendment of the terms for free allotment of existing shares has been submitted to your Shareholders' Meeting.

The Board of Directors

Special report of the Board of Directors

on transactions executed in accordance with the provisions of articles L. 225-177 to L. 225-186 of the French Commercial Code (stock subscription and purchase options)

Fiscal year ended December 31, 2007

To the Shareholders,

In accordance with the provisions of article L. 225-184 of the French Commercial Code, we hereby report on transactions executed pursuant to the provisions of articles L. 225-177 to L. 225-186 of the Code relating to stock subscription and purchase options.

I. OPTIONS GRANTED TO COMPANY OFFICERS AND DIRECTORS

We report that no stock subscription or purchase options were granted to directors and officers of Recylex SA (hereafter the "Company") or affiliated companies in accordance with the provisions of L. 225-180 of the French Commercial Code, during the year under review for mandates and duties performed at the Company:

Name and job title of beneficiaries	Number of options granted	Purchase or subscription	Price in euros	Exercise deadline	Companies
N/A					

We also report that no stock subscription or purchase options were granted to directors and officers of the Company for the performance of mandates during the year under review by controlled companies, within the meaning of article L. 233-16 of the French Commercial Code:

Name and job title of beneficiaries	Number of options granted	Purchase or subscription	Price in euros	Exercise deadline	Companies
N/A					

II. OPTIONS EXERCISED BY COMPANY DIRECTORS AND OFFICERS

We report that no stock subscription or purchase options held on the Company or affiliated companies, within the meaning of article L. 225-180 of the French Commercial Code, or controlled companies, within the meaning of article L. 233-16 of the French Commercial Code, were exercised by Company directors and officers during the year under review:

Name and job title of beneficiaries	Number of options granted	Purchase or subscription	Price in euros	Exercise deadline	Companies
N/A					

III. OPTIONS GRANTED TO EMPLOYEES AND OPTIONS EXERCISED BY EMPLOYEES

We report that no option was granted during the year by the Company or affiliated companies or entities in accordance with the provisions of article L. 225-180 of the French Commercial Code, and also report on the options exercised by the 10 employees not directors or officers of the Company and subscribing or purchasing the greatest number of shares.

1. Options granted

Beneficiaries	Number of options granted	Purchase or subscription	Unit price in euros	Exercise deadline	Companies	Job titles
N/A						

2. Options exercised

Beneficiaries	Number of options exercised	Purchase or subscription	Unit price in euros	Option exercise date	Companies	Job titles
Dupré Gilles	5,000	Subscription	2.21	Jan. 8, 2007	Recylex SA	Plant manager
	1,000	Subscription	5.30	Jan. 8, 2007	Recylex SA	
	3,000	Subscription	10.13	June 5, 2007	Recylex SA	
	2,500	Subscription	7.50	June 5, 2007	Recylex SA	

The Board of Directors

The Chairman's report

on the work of the Board of Directors and internal controls implemented by Recyclex SA for the financial year 2007

(In accordance with article L. 225-37 of the French Commercial Code, resulting from article 117 of the Financial Security Act of August 1, 2003.)

To the Shareholders,

In accordance with the provisions of article L. 225-37 paragraph 6 of the French Commercial Code, I hereby report to you on:

- the conditions under which the Board's work was prepared and organized in the financial year ended December 31, 2007;
- the scope of the Chief Executive Officer's authority;
- the internal control procedures implemented by Recylex SA (hereafter the "Company").

Preliminary remarks

Two legal actions filed in 2006 by the previous employees of Metaleurop Nord SAS and by the liquidation trustees of Metaleurop Nord SAS still weigh upon the Group's stability:

1. The first legal action by the former employees of Metaleurop Nord SAS is pending before the Labor Court (*Conseil des prud'hommes*) of Lens:

(i) at the hearing before the industrial section on October 19, 2007, the case was postponed to be heard by the judge with a casting vote owing to a split decision, with pleadings taking place on December 5, 2007. Judgement was reserved for June 27, 2008;

(ii) the hearing before the management section took place on January 29, 2008 and the decision is due to be handed down on September 30, 2008.

Each petitioner is claiming payment of compensation of €30,000, plus €300 in expenses. The total number of petitioners for all sections is 585, as one petition has been struck off the rolls in early 2008.

2. In addition, the liquidators of Metaleurop Nord SAS have filed a claim against Recylex SA for repayment of liabilities of Metaleurop Nord SAS up to €50 million. On February 27, 2007, the Regional Court (*Tribunal de grande instance*) of Béthune, ruling in commercial session, rejected this claim. The court found on the merits of the case that the Company was not the *de facto* manager of Metaleurop Nord SAS. The liquidators appealed this ruling. As of the date of this report, the timetable for the Douai Appeal Court hearing was not known.

Despite the legal uncertainties that arose at the beginning of 2006, the decision to refocus the Group's business on recycling proved to be well-founded. It permitted the Company, supported by the know-how of its teams, to develop a new industrial strategy that is both clear and targeted, and positions the Group as a leading European recycling specialist, firmly committed to a responsible and environmentally sound approach.

1. Preparation and organization of the Board's work

1.1 Composition

The Company is a French corporation (*société anonyme*) with a Board of Directors governed by internal rules and procedures, which were amended on November 29, 2007 in order to enable directors to participate in Board meetings through videoconferencing or telecommunications, with the exception of meetings held to approve the annual financial statements, consolidated financial statements and Management Report, in accordance with applicable laws and regulations.

The Company's by-laws provide that each Board member is appointed for three years and must hold a minimum of 20 shares.

The Shareholders' General Meeting of July 16, 2007 voted to terminate the Board of Director's mandate of Alain Ostier.

The Board of Directors now consists of four directors, two of whom will be up for renewal before the Shareholders' General Meeting held to approve the financial statements for the year ending December 31, 2007, the mandates of the other two being up for renewal before the Shareholders' General Meeting held to approve the financial statements for the year ending December 31, 2008.

As of December 31, 2007, the detailed make-up of the Board of Directors was as follows:

Name	Position	First appointment date	Term expiration date
Yves Roche	Chairman and Chief Executive Officer	April 21, 2005	Shareholders' General Meeting held to approve the financial statements for the year ending December 31, 2007
Aristotelis Mistakidis	Director	September 20, 2002	Shareholders' General Meeting held to approve the financial statements for the year ending December 31, 2007
Richard Robinson	Director	April 8, 2003	Shareholders' General Meeting held to approve the financial statements for the year ending December 31, 2008
Mathias Pfeiffer	Director	July 28, 2006	Shareholders' General Meeting held to approve the financial statements for the year ending December 31, 2008

As of December 31, 2007, the functions exercised by Board members were as follows:

Mr. Yves Roche (Chairman of the Board of Directors)

Chairman and Chief Executive Officer	Recylex SA
	Delot Métal SA
Chairman of the Board of Directors	Norzinco SA
	Recytech SA
Director	FMM SA
Manager	Groupement Forestier de Malacan
Supervisor	Recylex Commercial SAS

Mr. Aristotelis Mistakidis

Director	Recylex SA
	Pasar
Chairman	Portovesme srl
	Mopani

Mr. Richard Robinson

Director	Recylex SA
	Recytech SA
	Serabi Mining Plc
	Norzinco SA (as permanent representative of Recylex SA)
President	Metalor Technologies International SA

Mr. Mathias Pfeiffer

Director	Recylex SA

Mr. Mathias Pfeiffer is considered as an independent Director, which is to say he has no relationship with the Company that might be considered to compromise his freedom to exercise his independent judgment.

Directors received attendance fees for 2007 totaling €90,000, with €30,000 for the Chairman of the Board and €20,000 to each of the other directors, with the exception of Mr. Alain Ostier, whose mandate came to an end.

Each Board member is informed of the essential responsibilities entrusted to him and remains sensitive to the interest of all shareholders for all of the discussions in which he takes part within the Board of Directors and in his participation in decision-making.

1.2 Board meeting preparation

Board meeting dates are, in principle, set from one meeting to the next.

In accordance with article 16 (3) of the by-laws, directors are given five working days notice for meetings, except when the Chairman considers that urgent conditions require a shorter period.

Directors are provided with the documents, technical files and information concerning the agenda prior to the meeting. These include:

- the draft minutes of the last meeting of the Board of Directors when available;
- the draft resolutions submitted to the upcoming Board meeting;
- any available documents to assist with voting on decisions presented to the Board of Directors;
- internal management documents (reports on activity) providing details of the Company's and the Group's financial and technical operations.

The Board of Directors may, when considered necessary, be assisted during meetings by external advisors (lawyers, consultants, etc.).

In accordance with L. 823-17 of the French Commercial Code, auditors were invited to meetings of the Board of Directors called to examine and approve the annual and interim financial statements.

1.3 Organization of Board meetings

Directors may attend Board meetings in person or, as allowed by the Company's by-laws, through videoconferencing and telecommunications, with the exception of meetings held to approve the financial statements, consolidated financial statements, Management Report and Group Management Report.

In 2007, the Board of Directors met five times on the following days:

- 02/14/2007 (attendance rate: 100%);
- 05/30/2007 (attendance rate: 80%);
- 07/16/2007 (attendance rate: 80%);
- 10/22/2007 (attendance rate: 100%);
- 11/29/2007(attendance rate: 100%).

Under the provisions of article 16 (1) of the by-laws, the Board of Directors must meet as often as required in the interest of the Company and at least every four months.

Board meetings open with the approval of the minutes from the previous meeting, when available.

Resolutions are then presented to directors in the same order as listed in the agenda. Directors discuss each resolution before taking a vote. Resolutions are voted by a show of hands.

Once discussions have ended and all items of the agenda have been addressed, the Chairman closes the meeting and, if necessary, proposes a date for the next meeting.

1.4 Specialized committees

a) The Remuneration and Nomination Committee

A Remuneration and Nomination Committee, previously known as the Personnel Committee, was established by a decision of the Board on July 2, 2003. The role of this committee is to consider potential improvements and make recommendations to this purpose in line with corporate governance practices.

Since its creation, it has considered and proposed to the Board: (i) separating the functions of Chairman (*Président*) and Chief Executive Officer (*Directeur Général*); (ii) the appointment of executive officers (*directeurs généraux*) as well as their level of compensation and scope of authority; (iii) returning to the combination of the functions of Chairman and Chief Executive Officer; and (iv) establishing a defined indemnity to address a scenario in which the Chief Executive Officer has to step down following a significant change in ownership at Recylex SA having the support of the Board of Directors, provided the Chief Executive Officer has facilitated such change and the transition with the new reference shareholder, a proposal that was adopted by the Board at its meeting on March 18, 2008.

The members of the Remuneration and Nomination committee include: Mr. Richard Robinson, Chairman, Mr. Mathias Pfeiffer and Mr. Aristotelis Mistakidis. The Board of Directors meeting of October 22, 2007 adopted the committee's terms of reference.

b) The Audit Committee

An Audit Committee was created in 2007 and met for the first time to review the Company's interim financial statements.

The Audit Committee members include Mr. Mathias Pfeiffer, Chairman, and Mr. Richard Robinson.

This Audit Committee, whose terms of reference were approved by the Board at its meeting of October 22, 2007, is charged primarily with providing the Board of Directors with a critical and independent assessment of the Group's financial reporting and audit procedures and ensuring compliance with the internal control procedures and risk management.

1.5 Compensation of directors and officers

The Shareholders' General Meeting of July 28, 2006 set the annual attendance fees to be paid to directors at €110,000 for that year and subsequent years until such time as the Shareholders' Meeting approves new fees.

The Board of Directors of December 12, 2006 decided to allocate the attendance fees as follows:

- the Chairman of the Board of Directors receives €30,000 per year;
- all other Board members receive €20,000 per year.

The total amount of attendance fees paid to directors for the 2007 fiscal year was €90,000, of which €30,000 to the Chairman of the Board and €20,000 to the other Board members, with the exception of Mr. Alain Ostier, whose director's mandate came to an end.

In 2007, the Group's companies paid Mr. Yves Roche gross fixed compensation totaling €173,830 and variable compensation in the amount of €160,000. Mr. Yves Roche is also provided a Company vehicle.

As far as the variable portion of Mr. Yves Roche's compensation is concerned, the Remuneration and Nomination Committee proposed that the amount of the variable portion be determined each year by the Board of Directors in light of the development, during the year under consideration, of the qualitative objectives determined each year by the Remuneration and Nomination Committee. This proposal was adopted by a resolution of the Board meeting of March 18, 2008.

At its March 18, 2008 meeting, upon proposal of the Remuneration and Nomination Committee, the Board of Directors decided to attribute an indemnity to Mr. Yves Roche that would be paid to him in the event he is required to step down from his functions as Managing Director following a significant change in ownership at Recylex SA having the support of the Board of Directors, provided Mr. Yves Roche has facilitated such change and the transition with the new reference shareholder. This indemnity would be equivalent to double the gross compensation received under his Company mandate during the most recent fiscal year prior to such termination and would only be payable after confirmation by the Board of Directors that the performance objectives have been met.

2. Limitations of authority placed on the Company's Chief Executive Officer

At its meeting of October 22, 2007, the Board decided to limit the Chief Executive Officer's authority to enter into negotiations and approve an acquisition or assets disposal agreement exceeding €500,000.

3. Internal control procedures implemented by the Company within the Group

The purpose of the Company's internal control procedures are to:

- ensure that management activities and transactions, as well as the conduct of personnel, comply with the guidelines defined by corporate bodies, applicable laws and regulations and the Company's internal rules and procedures and corporate culture;
- ensure that accounting, financial and management information provided to corporate bodies of the Company provide a fair presentation of the Company's business and situation.

Within the Group, internal controls apply to both the procedures and practices aimed at ensuring the application of the defined policies and to making all participants aware of their responsibilities and the reliability of the internal control system.

One of the objectives of the internal control system is to prevent and effectively manage risks arising from the Company's business. However, such internal controls cannot provide an absolute guarantee that such risks will be totally eliminated, and the possibility exists that certain controls might be avoided or evaded.

The organizational streamlining undertaken by the Company in recent years has made it necessary to reorganize the internal control systems, although they remain based upon earlier procedures (recording, format and frequency of reporting) implemented within the Company and the Group in October 1998.

Given the Company's priorities, the new procedures have yet to be formalized in a manual. In practice, however, these procedures already help to control risks by providing rigorous financial management.

3.1 The internal control environment in 2007

The organizational principles of both the Company and the Group involve a high degree of decentralization in responsibilities both concerning oversight of accounting and financial information and control of environmental risks, while remaining under the general supervision of headquarters. This organization enables Group companies to respond more quickly to the different challenges associated with their businesses.

Control procedures are also implemented through various support functions provided by Group companies:

- legal affairs, communications, management control and the consolidation accounting function are assured by the Company;
- support in commercial negotiations is provided by Recylex Commercial SAS;
- Recylex GmbH in Germany provides legal and financial services (local cash pooling), financial and accounting control for German companies.

Central support functions permit the standardized communication of management's orientation and objectives. All support services are covered by agency contracts negotiated between Group companies.

Control of the operations of the Company's subsidiaries is strengthened by Group representation on subsidiaries' Boards of Directors. This ensures that certain risks associated with the Group's business are known and clearly identified.

3.2 Risk assessment

3.2.1 Financial risks

The results of the Recylex Group, specialized in zinc, lead and plastic recycling and special metals, are subject to two major financial risks:

- **fluctuations in metal prices** (the most significant being lead and zinc). These two metals are quoted in US dollars on the London metal futures exchange. As Recylex Group has no influence over the prices of these metals, it is subject to risks associated with their price fluctuations;
- **exchange-rate fluctuations** (principally the US dollar/euro exchange rate).

The Group has defined a policy and procedures to measure, manage and control market risk exposure. That policy prohibits taking speculative positions on the market and consists of using derivative financial instruments to cover a portion of the Group exposure to exchange rate risks and raw material price risks.

The financial instruments are subscribed on a back to back basis through financial institutions with high ratings. The Group mainly uses term contracts and options.

The financial derivative instruments cover existing or expected financial and commercial exposure.

Financial instrument positions are followed at their fair value.

Exchange rate exposure and raw material price exposure is managed centrally by Group financial management.

3.2.2 Environmental risks

In our line of business, it goes without saying that references to the "business" or to a "going concern" require strict adherence to regulatory and legislative standards and good business practices.

In fact, all of the Recylex sites whose recycling activities are still a source of pollutants – despite the considerable abatement efforts – are subject to prefectural authorization. Compliance with this authorization is an absolute priority. In addition, the Recylex Group is responsible for the clean-up of several old industrial and mining sites, which were acquired as part of larger acquisitions even though some sites were never exploited by the Group. Since December 2003, control of the clean-up of the former French mining and industrial sites has been the direct responsibility of the Company's Chief Executive Officer, with oversight provided by an environmental expert specializing in the topic.

The Group has instituted procedures to monitor environmental data for which each subsidiary is responsible but which remain subject to the control of the competent regulatory authorities both in France and Germany.

The monitoring of the Company and Group environmental policy is supported through regular meetings with the DRIRE (Regional Directorate for Industry, Research and the Environment) and the Ministry of Environment, which enables optimal coordination for implementing site restoration projects.

In Germany, the environment managers at each plant regularly report on the environmental situation. The reports are submitted to the local managers. A global report on the environmental situation of the German plants is prepared each year and submitted to the Company.

In 2007, the Company's executive management also retained an independent firm to provide an environmental audit aimed at analyzing environmental and health risks that are specific to the Recylex Group and to establish better procedures for managing these risks based on best practices at the global level.

3.2.3 Legal risks

The principal legal risks in France are monitored by the Company's executive management, and in Germany they are monitored by the management of Recylex GmbH in conjunction with the advisors of the Company and its subsidiaries. Given the small staff at the Company's headquarters, management relies to a large extent on its independent advisors for monitoring compliance with applicable regulatory requirements and the protection of the Group's interests.

The Company's Board of Directors is regularly presented with progress reports on important cases pending, principally with respect to litigation.

Executive management also recruited a new corporate secretary in 2007 in order to strengthen its legal risk management.

3.2.4 Risks associated with the preparation of accounting and financial information

To ensure the reliability and accuracy of our financial information, all financial and accounting information for Group companies is managed using an integrated software application that ensures its consistency and uniformity at the Group level. This application is also useful for comparing and integrating costs at Group level. In terms of information flows, the common accounting formats ensure a standardized accounting treatment of transactions and relevant automated controls.

Furthermore, this system allows all movements of goods in each Group Company to be managed in real time.

The accounting tasks are therefore carried out within the framework of this homogeneous system by each subsidiary staffed with its own accountants or, in some cases, sharing the services of an independent accountant. It should be noted that for the entire 2007 financial period, the preparation and creation of the parent Company financial statements have been entrusted to the accounting manager of the Company located in Villefranche-sur-Saône, who reports directly to executive management.

Each subsidiary produces monthly financial and technical reports for submission to the Company's head office. The managers of the subsidiaries are responsible for the reliability of their accounting and financial data. A management controller at the Company's head office consolidates the data. The management controller ensures that the data is consistent and may request any further information or clarification he deems necessary from the Group subsidiaries or establishments involved. This reporting process thus permits executive management to have access to a monthly report of the business and the concrete achievement of assigned objectives.

The closing process for the consolidated financial statements is identical to that of the monthly reporting process, i.e. decentralized and the responsibility of each subsidiary. Starting in 2006, this task was outsourced to an independent accounting firm, which is responsible for the analysis and documentation of post-closing entries performed in the consolidation process. The sector analysis nevertheless continues to be performed on site at the Company's headquarters.

At the conclusion of this phase, the financial statements are reviewed by the Audit Committee. The Board of Directors subsequently approves the parent Company and consolidated financial statements, which are then presented to the Shareholders' General Meeting.

The Chief Executive Officer of the Company is responsible for overseeing all of these steps in the preparation of the accounting and financial information. In 2007, the Company strengthened its finance department by recruiting a Chief Financial Officer.

Accounting and financial information is also audited by the Company's auditors as part of their legal obligations.

Conclusion

In 2008, executive management will monitor trends in the Group's operating environment while continuing to develop the internal control systems in order to bring the Group's practices into line with satisfactory and efficient standards.

To that end, executive management took the first steps toward an internal audit system by launching a process for assessing and improving its internal control procedures. The goal is to obtain regular diagnostics on the quality of the process in place and to raise awareness and a sense of responsibility among operating personnel as to the importance of internal control.

The creation of an Audit Committee in 2007 also helps to strengthen the assessment and oversight of compliance with internal control and risk management procedures.

Chairman of the Board of Directors

Mr. Yves Roche

Statutory Auditors' report

prepared in accordance with article L. 225-235 of French Commercial Law (*Code de commerce*) on the report prepared by the Chairman of the Board of Recylex SA on the internal control procedures relating to the preparation and processing of accounting and financial information

Year ended December 31, 2007

To the Shareholders,

In our capacity as Statutory Auditors of Recylex SA, and in accordance with article L. 225-235 of French Commercial Law (*Code de commerce*), we hereby report on the report prepared by the Chairman of your Company in accordance with article L. 225-37 of French Commercial Law (*Code de commerce*) for the year ending December 31, 2007.

It is the Chairman's responsibility to describe in his report the preparation and organisation of the Board's work and the internal procedures implemented by the Company.

It is our responsibility to report to you on the information contained in the Chairman's report in respect of the internal control procedures relating to the preparation and processing of the accounting and financial information.

We conducted our work in accordance with French professional standards. These standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control procedures relating to the preparation and processing of the accounting and financial information. These procedures consisted mainly in:

- obtaining an understanding of the internal control procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report and existing documentation are based;
- obtaining an understanding of the work involved in the preparation of this information and existing documentation;
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the Company's internal control procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board in accordance with article L. 225-37 of French Commercial Law (*Code de commerce*).

The Statutory Auditors

Paris-La Défense and Neuilly-sur-Seine, March 31, 2008

KPMG Audit
Division of KPMG SA

Catherine Porta
Partner

Deloitte & Associés

Albert Aïdan
Partner

Consolidated financial statements

50 **Consolidated balance sheet**

52 **Consolidated income statement**

53 **Statement of changes in consolidated equity**

54 **Consolidated statement of cash flow**

55 **Notes to the consolidated financial statements**

90 **Statutory Auditors' report**
on the consolidated financial statements

Consolidated financial statements
Consolidated balance sheet

Financial year ended December 31, 2007

ASSETS (In thousands of euros)	Notes	12/31/2007	12/31/2006
Non-current assets			
Property, plant and equipment	3 and 5	77,384	71,879
Intangible assets	4 and 5	1,957	956
Financial assets	6	1,043	1,667
Derivatives	35 and 36	308	–
Other non-current assets		–	19
Deferred tax assets	27	16,878	15,313
Sub-total		**97,571**	**89,834**
Current assets			
Inventories	7	78,677	51,198
Trade receivables	8	53,961	36,953
Current income tax assets		394	–
Other current assets	9	7,732	8,182
Derivatives	35 and 36	5,120	–
Cash and cash equivalents	10	79,162	51,894
		225,046	**148,226**
Non-current assets held for sale	11	–	–
Sub-total		**225,046**	**148,225**
TOTAL ASSETS		**322,617**	**238,060**

LIABILITIES (In thousands of euros)	Notes	12/31/2007	12/31/2006
Equity and liabilities			
Issued capital	12	47,824	90,465
Share premiums	12	409	6,300
Reserves attributable to equity holders of the parent	12	26,269	(67,475)
Hedging reserves	12	3,781	–
Net income attributable to equity holders of the parent	12	67,719	44,171
Translation adjustments	12	1,456	1,456
Share premiums and reserves attributable to equity holders of the parent		**147,458**	**74,917**
Minority interests			
TOTAL EQUITY		**147,458**	**74,917**
Non-current liabilities			
Interest-bearing borrowings	13	12,963	1,848
Provisions	14	22,987	32,185
Pension liabilities	15	29,816	28,914
Other non-current liabilities		14,853	12,250
Deferred tax liabilities	27	8,154	4,952
Sub-total		**88,773**	**80,149**
Current liabilities			
Interest-bearing borrowings	13	8,874	13,770
Provisions	14	13,378	8,408
Pension liabilities	15	1,173	1,590
Trade payables	16	24,200	23,903
Income tax payable		11,259	5,204
Derivatives	35 and 36	44	–
Other current liabilities	17 and 18	27,458	30,119
Sub-total		**86,386**	**82,994**
TOTAL LIABILITIES		**175,159**	**163,143**
TOTAL EQUITY AND LIABILITIES		**322,617**	**238,060**

Consolidated income statement

Financial year ended December 31, 2007

(In thousands of euros)	Notes	12/31/2007	12/31/2006
Sales of goods and services		509,582	347,635
Total sales	**19**	**509,582**	**347,635**
Purchases used		(332,239)	(203,715)
Staff costs	20	(41,569)	(37,475)
External costs		(51,845)	(43,884)
Taxes other than on income		(2,691)	(2,799)
Depreciation, amortisation and impairment losses	22	(19,556)	(13,358)
Goodwill impairment losses		(117)	–
Changes in work-in-progress and finished goods		22,271	531
Other operating income and expense	23	1,496	4,079
Operating income before non-recurring items		**85,332**	**51,014**
Other non-recurring operating income and expense	24	(955)	(6,163)
Operating income		**84,377**	**44,852**
Interest income from cash and cash equivalents		1,732	1,002
Gross interest expense		(777)	(287)
Net interest expense[1]	**25**	**957**	**715**
Other financial income/(expense)[1]	**26**	**(3,287)**	**(2,809)**
Income tax expense	27	(14,328)	1,376
Share in income from equity affiliates		–	37
NET INCOME BEFORE MINORITY INTERESTS		**67,719**	**44,171**
Minority interests			
Net income attributable to equity holders of the parent		67,719	44,171
Earnings per share :		In euros	In euros
– basic	28	2.84	1.86
– diluted	28	2.79	1.83

(1) The presentation of financial income and expense changed in 2007 and is explained in detail in notes 25 and 26. The information related to 2006 has been restated.

Statement of changes in consolidated equity

Financial year ended December 31, 2007

(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
Restated equity at January 1, 2006	**23,342,682**	**88,964**	**6,159**		**(65,994)**	**29,129**	**29,129**
Net income for the year					44,171	44,171	44,171
Other movements	393,700				(25)	(25)	(25)
Issue of shares		1,501	141			1,642	1,642
Equity at December 31, 2006	**23,736,382**	**90,465**	**6,300**		**(21,848)**	**74,917**	**74,917**
Net income for the year					67,719	67,719	67,719
Other movements(1)				3,781		3,781	3,781
Issue of shares/reduction in capital(2)	175,600	(42,641)	(5,891)		49,573	1,041	1,041
Equity at December 31, 2007	**23,911,982**	**47,824**	**409**	**3,781**	**95,444**	**147,458**	**147,458**

(1) Other changes reflect hedging reserves (note 35) less corresponding tax liabilities.

(2) Changes in the share capital are detailed in note 12.

Consolidated statement of cash flow

Financial year ended December 31, 2007

(In thousands of euros)	12/31/2007	12/31/2006
Net income of consolidated companies	67,719	44,134
Non-cash income and expenses	18,977	11,277
– Depreciation – property, plant and equipment	*9,907*	*9,274*
– Amortisation – intangible assets	*153*	*196*
– Changes in provisions	*(3,373)*	*3,594*
– Gains and losses on disposals of non-current assets	*(1,080)*	*(132)*
– Elimination of interest expense	*(957)*	*(278)*
– Income tax expense	*14,328*	*(1,376)*
Cash flow before net interest and tax expense	**86,697**	**55,411**
Change in the working capital requirement	(35,921)	(3,733)
– Inventories	*(27,479)*	*(9,836)*
– Trade receivables	*(19,186)*	*(9,222)*
– Trade payables	*7*	*2,103*
– Other current and non-current asset and liabilities	*10,737*	*13,221*
Income tax expense	(8,501)	(2,056)
Change in deferred tax assets and liabilities	(84)	8,500
CASH FLOW FROM OPERATING ACTIVITIES	**42,191**	**58,122**
Changes in the scope of consolidation	1,000	450
Purchases of property, plant and equipment, and intangible assets	(16,361)	(8,506)
Disposals of property, plant and equipment, and intangible assets	702	0
Changes in financial assets	(406)	(1,166)
CASH FLOW FROM INVESTMENT ACTIVITIES	**(15,065)**	**(9,221)**
Increases in borrowings	12,789	574
Repayment of borrowings	(14,660)	(11,061)
Interest income/(expense) on financial assets	972	(38)
Other movements in the share capital	1,041	1,641
CASH FLOW FROM FINANCING ACTIVITIES	**142**	**(8,883)**
Changes in cash and cash equivalents	**27,268**	**40,018**
Cash and cash equivalents at beginning of period	51,894	11,876
Cash and cash equivalents at close of period	79,162	51,894
CHANGES IN CASH AND CASH EQUIVALENTS	**27,268**	**40,018**

Notes to the consolidated financial statements

Financial year ended December 31, 2007

Note 1. Presentation of the business and significant events

1.1 Details of the Company

On March 18, 2008, the Board of Directors approved and authorised publication of Recylex SA's consolidated financial statements for the year ended December 31, 2007.

Recylex SA is a *société anonyme* (joint-stock corporation) registered in France and listed on the Paris Stock Exchange.

1.2 Business description

Recylex, formerly known as Metaleurop, is a group located primarily in France, Germany and Belgium, which has ten production facilities.

It specialises in recycling lead and plastic (from automobile and industrial batteries), recycling zinc from particles from electric steel plants, and producing zinc oxides and special metals for the electronics industry.

1.3 Significant events in the 2007 financial year

The key developments during 2007 included the continued rise in lead prices to an average of €1,882 per tonne from €1,024 during 2006.

Conversely, the price of zinc dropped off during the second half of the year, averaging €2,385 per tonne over 2007 as a whole, down from €2,593 per tonne in 2006, having surged to over USD4,000 during May 2007.

The second major event of the year was the change in the Group's name from Metaleurop to Recylex following shareholders' decision to approve the change at the Annual General Meeting on July 16, 2007. The Group now has a corporate identity consistent with its drive to focus on recycling.

Moreover, the Villefranche-sur-Saône plant and the FMM subsidiary in Belgium successfully achieved ISO 14001 certification (environment).

In addition, the battery volumes processed at the Villefranche and Escaudœuvres plants increased by 6,500 tonnes compared with the previous year. As a result, over 94,000 tonnes of batteries were processed during 2007.

The Recylex group became a majority shareholder in the Norzinco group, following the exercise of an option to buy out minority investors (45%) in Norzinco SA by Delot Métal SA, a subsidiary of Recylex SA, on March 8, 2007. The price paid (€3,402,000) was in line with that provided for in the shareholders' agreement.

During March 2007, Reinstmetalle Osterwieck GmbH (RMO), a PPM subsidiary, acquired the assets of Astron, which specialises in arsenic tetrachloride, for €4,285,000. RMO has been consolidated by the Recylex group since January 1, 2007.

Two legal proceedings initiated during 2006 are still in progress:

The first case brought by former employees of Metaleurop Nord SAS is being heard by the Lens labour court:

(i) At the hearing before the industrial section on October 19, 2007, the case was sent to be heard by the judge with a casting vote owing to a split decision, with pleadings taking place on December 5, 2007. Judgement was reserved for June 27, 2008.

(ii) Counsel's addresses to the Management section were heard on January 29, 2008: the decision is due to be handed down on September 30, 2008.

Each of the 585 plaintiffs is claiming payment of compensation of €30,000, plus €300 in expenses.

The liquidators of Metaleurop Nord SAS launched proceedings against Recylex SA for repayment of liabilities of Metaleurop Nord SAS up to €50 million. On February 27, 2007, the Béthune regional court ruling in commercial session dismissed the claims. The Court found on the merits of the case that Recylex SA was not the *de facto* director of Metaleurop Nord SAS. The plaintiffs have appealed the ruling. At the preparation date of the financial statements, the timetable for the Douai appeal court hearing was not known.

It should be noted that these liquidators saw their application for the liquidation of Metaleurop Nord SAS to be extended to Recylex SA dismissed, since the Supreme Appeal Court and the Paris Appeal Court concluded there was no confusion between the asset base of the two companies.

Based on the progress of both proceedings at the preparation date of the financial statements, the Company did not deem it necessary to set aside any provisions in the financial statements at December 31, 2007.

Assuming an unfavourable outcome to these procedures for Recylex SA, execution of the continuation plan could be called into question.

Note 2. Significant accounting methods

2.1 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. 1606/2002 adopted on July 19, 2002, the Recylex group has prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs) as adopted in the European Union at the preparation date of these financial statements.

International accounting standards include the IFRSs, IASs (International Accounting Standards) and their interpretations (Standing Interpretations Committee) and IFRICs (International Financial Reporting Interpretations Committee).

Conversely, the new standards, amendments to existing standards and the following interpretations have been published, but were not applicable to 2007 and have not been adopted early by the Group:

- IAS 1 Revised, "Presentation of Financial Statements", applicable to financial years starting on or after January 1, 2009;
- IFRS 8, "Operating Segments", applicable to financial years starting on or after January 1, 2009;
- IAS 23 Revised, "Borrowing Costs", applicable to financial years starting on or after January 1, 2009;
- IFRIC 11, "Group and Treasury Share Transactions", applicable to financial years starting on or after March 1, 2007;
- IFRIC 12, "Service Concessions", applicable to financial years starting on or after January 1, 2008;
- IFRIC 13, "Customer Loyalty Programmes", applicable to financial years starting on or after July 1, 2008;
- IFRIC 14, "The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction", applicable to financial years starting on or after January 1, 2008.

Comparability of financial statements

The accounting principles and valuation rules applied in the financial year ended December 31, 2007 under IFRSs are identical to those applied in the financial year ended December 31, 2006.

Going concern

The annual financial statements have been prepared based on the going concern principle, since the continuation plan presented to the Paris Commercial Court was accepted on November 24, 2005.

2.2 Scope and methods of consolidation

Basis of consolidation

The consolidated financial statements include the financial statements of Recylex, all the companies exclusively controlled, directly or indirectly, by the Group, companies jointly controlled by the Group and those over which the Group exerts significant influence at December 31 each year.

Consolidation methods

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 unrealised 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, which entails the Group's interest in the joint venture's assets, liabilities, income and expenses being consolidated line-by-line under the relevant headings of the consolidated financial statements.

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.

2.3 Use of estimates

The preparation of financial statements under IFRSs requires management to make estimates and assumptions. 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 were made based on the going concern principle and prepared using the information available when they were produced. They are continuously 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 circumstances 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.

The principal estimates made by management notably relate to depreciation and amortisation, 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, 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.

2.4 Summary of significant accounting methods

Balance sheet

Pursuant to IAS 1, the Group has opted for a balance sheet format with a distinction between current and non-current assets and liabilities.

The distinction between current and non-current items is based on the following rules:

- assets and liabilities comprising components of the working capital requirement in the normal business cycle are

classified as current;
- assets and liabilities that are not part of the normal business cycle are shown either under current or non-current assets and liabilities depending on whether they have a maturity of more than or less than one year.

Foreign currency translation

The consolidated financial statements have been prepared in euros, the Group's functional currency, since all the consolidated companies operate in euro-zone countries.

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 unrealised currency gains and losses are taken to income.

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
Plant, equipment and tools	5 to 30 years
Other property, plant and equipment	5 to 15 years

The carrying amount of property, plant and equipment is tested for impairment when there is an indication that the assets may be impaired.

Property, plant and equipment is derecognised upon its disposal 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 recognised in income when the asset is derecognised.

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 recognised under depreciation and amortisation on the income statement.

Borrowing costs

Borrowing costs are expensed as incurred.

Subsidies

Subsidies are recognised 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.

Goodwill

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 each year or more frequently whenever events or changing circumstances indicate impairment.

Intangible assets

Intangible assets are stated at their purchase cost.

Where they have a defined useful life, intangible assets are amortised 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 amortised, but systematically undergo annual impairment testing (see note on "Impairment of assets").

A summary of the estimated useful lives generally applied to the Group's intangible assets is shown below:

Software	Straight-line amortisation over periods of 3 to 10 years
Patents, etc.	Straight-line amortisation over periods of 10 to 20 years

Impairment of assets

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. Other non-current assets are also tested for impairment whenever events or changing circumstances indicate that they may be impaired.

When tests indicate that the recoverable amount of an asset (or group of assets) has fallen below its net carrying amount, an impairment loss is recognised in income, with a balancing entry leading to a reduction first in the carrying amount of goodwill.

A previously recognised 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 recognised for goodwill may not be reversed. Impairment losses, and conversely reversals of impairment losses, are recognised in income. Accumulated amortisation 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

Property, plant and equipment is tested for impairment whenever there is evidence of impairment.

Since most of the Group's property, plant and equipment does not generate cash flows largely independent of the cash flows generated by other assets or groups of assets, the Group estimates the recoverable amount of the cash-generating unit that operates it, where there is evidence of impairment.

An impairment loss is recognised in respect of a cash-generating unit (CGU) if and only if the recoverable amount of the CGU has fallen below its carrying amount.

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). Cash flow projections were drawn up for a five-year period, with a terminal value, to which a growth rate of 1.5% was applied. Terminal value is computed using the Gordon-Shapiro method. The discount rate is calculated using the weighted average cost of capital (WACC) method.

Impairment testing consists in comparing the net carrying amount of the asset to its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. 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 reflect the amount that could be obtained from selling the asset (or group of assets) on normal market terms less any costs directly attributable to the disposal.

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 and lasting diminution in value), an impairment loss that may not be reversed is recognised in income. Changes in fair value recognised in equity are recycled in income when the relevant assets are derecognised or sold.

Where there is no active market, the Group employs commonly used measurement methods. When fair value may not 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 recognised at amortised cost using the effective interest rate method. Any gains or losses are recognised in income when the loans or receivables are derecognised or impaired.

Acquisitions and disposals of financial assets are generally recognised on the transaction date.

Inventories

Inventories and work in progress are stated at the lower of cost and net realisable value.

Cost is determined using the weighted average unit cost method. This includes raw materials and direct labour costs, as well as a portion of indirect production costs.

Net realisable 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, which generally have maturity of between zero and sixty days, are recognised at the initial invoice amount less any write-downs for uncollectible amounts and then stated subsequently at amortised cost. A provision is set aside when there is objective evidence that the Group will not be able to recover the receivable. Uncollectible receivables are recorded as a loss as soon as they are identified as such.

Receivables transferred under factoring agreements and outstanding at the balance sheet date remain under trade receivables, since the Group bears the risk that they will not ultimately be collected.

Non-current assets held for sale and related liabilities

In accordance with IFRS 5, non-current assets available for sale, the sale of which is highly probable and in respect of which an active programme to locate a buyer and complete the plan has been initiated by the appropriate management, are classified as assets held for sale. Non-current assets classified as held for sale are measured and recognised at the lower of their net carrying amount and their fair value less costs to sell. Depreciation of those assets is discontinued.

Hedging derivatives

The Group uses derivatives in order to curb its exposure to market risks arising from fluctuations in metal prices, in particular in the lead and zinc market.

A derivative is a financial instrument the value of which fluctuates according to one or more observable parameters, which does not require any significant initial outlay and is settled at a future date. The Group primarily uses futures and options.

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 hedging relationship satisfies the conditions for the application of hedge accounting if it is designated as such and documented formally when the hedge is put in place and if it is demonstrated 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 hedges its exposure arising from the risk of future changes in cash flows affecting consolidated earnings and thus treats its derivative instruments as cash flow hedges. Hedged cash flows may originate from futures on financial or non-financial assets already appearing on the face of the balance sheet or future transactions not yet on the balance sheet, provided that these transactions are highly probable.

When cash flow hedge accounting is adopted, the portion of the change in value recognised on the effective portion of the derivatives is recognised directly in equity. The ineffective portion of the fair value adjustment is accounted for in income for the financial year. Cumulative gains and losses in equity must be recycled in income under the same heading as the hedged item during the same periods that the hedged item affects income.

If the hedging relationship comes to an end, notably because it is no longer considered to be effective, the cumulative gains and losses flowing from the derivative instrument are left in equity until the hedged transaction matures, unless the hedged transaction is no longer highly probable: gains and losses accumulated in equity are then recycled immediately to the income statement.

Cash and cash equivalents

Cash and short-term deposits recognised 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 recognised at the fair value of the amount received less any directly attributable transaction costs. Following initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest rate method.

In accordance with IAS 32, any commitment to buy back shares must give rise to the recognition of a financial liability through a deduction against equity in an amount equal to the discounted repurchase price. Once the repurchase price is set, only the impact of unwinding the discounting effect affects future earnings.

IAS 27 "Consolidated and Separate Financial Statements" and IAS 32 "Financial Instruments: Disclosures and Presentation" have prompted the Group based on the regulations as they currently stand to recognise firm and conditional commitments to buy out minority interests under debt, with a corresponding adjustment to minority interests. When the value of the commitment exceeds the amount of minority interests, the balance is recognised as a reduction in equity attributable to Recylex SA's shareholders. The fair value of commitments to buy out minority interests is reviewed at each balance sheet date. The corresponding debt is adjusted through a balancing entry under financial income or expense. Any commitment of this type gives rise to the recognition of a debt equal to the discounted value of the purchase price.

The portion of debt due in less than one year is shown under current liabilities.

Provisions

Provisions are set aside when the Group has 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 recognised 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 recognised 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 clean up.

Provisions are set aside to cover risks identified at sites in operation wherever a legal or regulatory obligation arises.

In addition, provisions for site remediation are recognised in respect of discontinued sites, in accordance with the legal requirements.

The provisions set aside to cover these risks are assessed based on the Company's mining and metalworking experience based on external cost estimates, where these are available.

Provisions arising during the normal business cycle are classified under current provisions.

Employee benefits

The Group sets aside two 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 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 certain 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 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 prime corporate borrowers.

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).

Actuarial gains and losses arise when differences are observed between actual figures and previous estimates, or following changes in actuarial assumptions. For post-employment benefit obligations, these gains and losses are accounted for using the corridor approach: gains and losses resulting from changes in actuarial assumptions or experience adjustments are recognised only when they exceed 10% of the value of the obligation. The portion in excess of 10% is then amortised over the average residual service life of the relevant employees.

Share-based payments

Share purchase and subscription plans (stock options) have been granted to certain senior managers and employees of the

Group. Under IFRS 2 "Share-Based Payments", these options are stated at fair value at the date of grant. This amount is recognised 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), with a corresponding adjustment to equity.

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

Leases

Material finance leases, which transfer substantially all the risks and rewards of ownership incidental to ownership of the leased asset, are recognised 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 recognised 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 recognised directly in income.

Leased assets are depreciated over their estimated useful life.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Revenue recognition

Revenue is recognised when all the following conditions have been satisfied:

- evidence can be provided that an agreement exists between the parties;
- the delivery of the goods has taken place or the service has been performed;
- the price has been set or is determinable.

Revenue from the sale of goods is recognised when the entity has transferred to the buyer the risks and rewards of ownership of the goods, i.e. upon delivery. Revenue from sales of services is recognised:

- when metal dust has been physically consumed for waste metal dust elimination services;
- as the service is performed, for maintenance services.

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. The Group has applied CNC recommendation 2004-R-02 of October 27, 2004 for the presentation of its income statement.

Operating income before non-recurring items

Operating income before non-recurring items includes all recurring income and expense 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 to the consolidated financial statements.

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.

Income taxes

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 recognised using the liability method in respect of all temporary differences existing at the balance sheet date between the tax base of assets and liabilities and their carrying amount in the balance sheet, as well as on tax loss carryforwards.

Deferred taxes are measured at the tax rates that have been enacted at the balance sheet publication date.

A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each balance sheet date and are written down, where the risk of non-recovery exists.

Earnings per share

Basic earnings per share are calculated by dividing the 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, excluding assets held for sale, break down as follows:

a) Property, plant and equipment at December 31, 2007 and December 31, 2006

12/31/2007 (In thousands of euros)	Gross	Accumulated depreciation	Impairment losses	Net
Land	5,407	(460)	0	4,947
Buildings	106,737	(79,181)	(1,200)	26,356
Plant and tools	208,059	(168,915)	(1,330)	37,814
Assets in progress	3,713	100	(100)	3,713
Other	19,094	(14,540)	0	4,554
TOTAL	**343,010**	**(262,996)**	**(2,630)**	**77,384**

12/31/2006 (In thousands of euros)	Gross	Accumulated depreciation	Impairment losses	Net
Land	6,379	(1,066)		5,313
Buildings	104,589	(80,348)	(1,200)	23,041
Plant and tools	213,422	(175,160)	(1,330)	36,932
Assets in progress	2,813	100	(100)	2,813
Other	18,715	(14,935)		3,780
TOTAL	**345,918**	**(271,409)**	**(2,630)**	**71,879**

b) Change in property, plant and equipment between January 1, 2006 and December 31, 2007

(In thousands of euros)	Net
Net carrying amount at January 1, 2006 after depreciation and impairment losses	**69,500**
Additions	8,466
Depreciation expense for the year	(9,274)
Disposals	(157)
Other	3,344
At December 31, 2006, the net carrying amount after depreciation and impairment losses	**71,879**
Additions	15,252
Depreciation expense	(9,884)
Disposals and retirements	(5,866)
Reversals of depreciation during the period	5,866
Other	137
AT DECEMBER 31, 2007, THE NET CARRYING AMOUNT AFTER DEPRECIATION AND IMPAIRMENT LOSSES	**77,384**

Additions notably include €6.3 million in upgrades and improvements to production facilities at the Nordenham plant, €3.2 million related to the purchase of assets by RMO and the remainder representing the cost of modernisation initiatives at plants in France and Germany.

c) Subsidies related to property, plant and equipment

Subsidies related to property, plant and equipment are presented on the face of 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 recognised 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
12/31/2007	2,661	(1,571)	1,090
12/31/2006	2,600	(1,326)	1,274
12/31/2005	1,930	(1,059)	871

Assets held under finance leases mainly comprise production equipment.

Note 4. Intangible assets and goodwill

Goodwill and intangible assets, excluding assets held for sale, break down as follows:

a) Goodwill and intangible assets at December 31, 2007 and December 31, 2006

12/31/2007 (In thousands of euros)	Gross	Accumulated amortisation	Impairment losses	Net
Goodwill	792	0	(792)	0
Concessions, patents, licences, etc.	8,600	(6,643)	0	1,957
TOTAL	**9,392**	**(6,643)**	**(792)**	**1,957**

12/31/2006 (In thousands of euros)	Gross	Accumulated amortisation	Impairment losses	Net
Goodwill	675		(675)	0
Concessions, patents, licences, etc.	7,541	(6,585)		956
TOTAL	**8,216**	**(6,585)**	**(675)**	**956**

The impairment loss relates to the goodwill allocated to the Norzinco France cash-generating unit, which was written off in full on January 1, 2004 (€675,000), and to the Reinstmetalle Osterwieck GmbH CGU (€117,000).

b) Change in intangible assets between January 1, 2006 and December 31, 2007

(In thousands of euros)	Net
Net carrying amount at January 1, 2006 after amortisation and impairment losses	**259**
Additions	39
Amortisation expense	(196)
Other	855
Net carrying amount at December 31, 2006 after amortisation and impairment losses	**956**
Additions	**1,154**
Goodwill arising on acquisitions	117
Amortisation expense	(153)
Impairment losses	(117)
NET CARRYING AMOUNT AT DECEMBER 31, 2007 AFTER AMORTISATION AND IMPAIRMENT LOSSES	**1,957**

Note 5. Impairment testing

At December 31, 2007, the Group observed evidence of impairment on the C2P Germany, Norzinco France and RMO cash-generating units (CGUs). The Group performed an impairment test on these CGUs.

As part of this test, the Group compared the carrying amount of each CGU with its recoverable amount, which is defined as the higher of its value in use and fair value less costs to sell.

The estimate of value in use, which was adopted as a reference value, was based on an estimate of future cash flows expected to derive from the cash-generating unit (at the performance date of the test) and use of an after-tax discount rate of 10.57% calculated using the weighted average cost of capital method.

The results of these tests indicated that no impairment losses needed to be recognised on the property, plant and equipment.

At December 31, 2007, the residual amount of impairment losses related to the Group's production assets stood at €2.6 million and related solely to the C2P Germany cash-generating unit.

The net carrying amount at December 31, 2007, after impairment losses, of the relevant production assets breaks down as follows:

12/31/2007 (In millions of euros)	CGU C2P Germany	CGU Norzinco France	CGU RMO
Gross value of production assets	5.6	5.5	3.2
Accumulated depreciation	(2.4)	(2.4)	0.1
Impairment losses	(2.6)	0	0
NET VALUE OF PRODUCTION ASSETS	**0.6**	**3.1**	**3.1**

Note 6. Non-current financial assets

The Group believes that the cost or amortised 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)	12/31/2007	12/31/2006
Available-for-sale financial assets	93,700	93,722
Loans and advances to investments	150,608	150,630
Loans[(1)]	825	157
Other financial assets	391	1,667
Financial assets before impairment	245,524	246,176
Impairment	(244,481)	(244,509)
NON-CURRENT FINANCIAL ASSETS	**1,043**	**1,667**

(1) A reclassification of €698,000 was made in 2007 between financial assets and loans, which accounts for changes in these two items.

The reduction in other financial assets derives chiefly from the investment in Reinstmetalle Osterwieck GmbH, which was consolidated for the first time in 2007.

Available-for-sale financial assets primarily comprise investments in unconsolidated subsidiaries, in which the Group owns an interest of over 50%. The primary characteristics of unconsolidated subsidiaries over 50%-owned by the Group are shown in the following table:

(In thousands of euros)	Registered offices	Net carrying amount of securities at 12/31/2007	Net carrying amount of securities at 12/31/2006
Fers & Minières	–	0	1
Traitements Métallurgiques	–	0	7
Metaleurop Nord	Paris	59,510	59,510
Franco Haitienne des Mines	–	0	13
Metaleurop International Finance	Amsterdam	253	253
Penarroya Espagne	Cartagena	33,872	33,872
Vicmetco Inc	–	0	1
ME Trade Espana	Madrid	64	64
Penarroya Utah	Utah	1	1
Gross value of available-for-sale financial assets		93,700	93,722
Less: Impairment losses		(93,700)	(93,705)
NET VALUE OF AVAILABLE-FOR-SALE FINANCIAL ASSETS		**0**	**17**

Metaleurop Nord SAS and Penarroya Espagne, which are currently in court-ordered liquidation, were not consolidated for the financial year ended December 31, 2007, in accordance with IAS 27-21. The corresponding investments were written off in full.

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

Note 7. Inventories

Inventories held by the Group break down as follows:

(In thousands of euros)	12/31/2007	12/31/2006
Raw materials	39,513	26,624
Work in progress	29,369	19,140
Finished and semi-finished goods	19,952	7,911
Sub-total	**88,834**	**53,675**
Less: Impairment losses	(10,157)	(2,477)
NET VALUE OF INVENTORIES AND WORK IN PROGRESS	**78,677**	**51,198**

Inventories increased by comparison with December 31, 2006. This increase derived primarily from the rise in raw materials costs.

Following the fall in lead prices during the third quarter of 2007, an impairment loss was recognised on lead inventories at the Nordenham plant. The recent recovery in lead prices during 2008 underlines the temporary nature of this loss.

Note 8. Trade receivables

Trade receivables break down as follows:

(In thousands of euros)	12/31/2007	12/31/2006
Trade receivables(1)	59,197	42,573
Less: Impairment losses	(5,236)	(5,620)
NET VALUE OF TRADE RECEIVABLES	**53,961**	**36,953**

Trade receivables do not bear interest and are generally payable in zero to sixty days.

(1) An amount of €5,856,000 in discounted receivables not yet due at the balance sheet date was reclassified under trade receivables in accordance with IAS 39 at December 31, 2007. At December 31, 2006, discounted receivables not yet due amounted to €8,033,000.

Note 9. Other current assets

Other current assets break down as follows:

(In thousands of euros)	12/31/2007	12/31/2006
Advances and downpayments on orders in progress	1,732	2,175
Penarroya receivables	0	31
Social security receivables	294	124
Tax receivables	2,001	2,489
Other receivables	3,474	3,083
Prepaid expenses	231	280
TOTAL OTHER CURRENT ASSETS	**7,732**	**8,182**

Note 10. Cash and Cash equivalents

The Group's cash and cash equivalents include:

(In thousands of euros)	12/31/2007	12/31/2006
Cash at bank and in hand	73,484	34,597
Other short-term investments	5,678	17,297
TOTAL CASH AND CASH EQUIVALENTS	**79,162**	**51,894**

Other short-term investments comprise shares in money-market mutual funds.

At December 31, 2006 and 2007, the Group had €550,000 in undrawn lines of credit available for which withdrawal conditions were satisfied.

Note 11. Non-current assets held for sale and related liabilities

At December 31, 2007, only Groupement Forestier Malacan was held for sale. The net carrying amount of Groupement Forestier Malacan securities held for sale was as follows:

(In thousands of euros)	12/31/2007	12/31/2006
Gross value of securities held for sale	59	58
Impairment losses	(59)	(58)
NET VALUE OF SECURITIES HELD FOR SALE	**0**	**0**

Note 12. Issued capital and reserves

12.1 Share capital and share premiums

The share capital comprised 23,911,982 fully paid-up shares at December 31, 2007.

The Group owns 73,939 of its own shares. The average purchase price of the shares was €6.81. Treasury shares are deducted from equity.

	Number of shares	Nominal value €
Ordinary shares at December 31, 2006	23,736,382	3,81
Ordinary shares at December 31, 2007	23,911,982	2,00

Ordinary shares in issue and fully paid-up	Number of shares	Nominal value €	Share capital in thousands of euros	Share premiums in thousands of euros
At January 1, 2007	23,736,382	3.81	90,465	6,300
Issuance of shares following exercise of stock options prior to July 16, 2007	155,000	3.81	591	342
On July 16, 2007	23,891,382	3.81	91,055	–
Reduction in share capital on July 16, 2007		1.81	(43,273)	(6,300)
Share capital after capital decrease	23,891,382	2.00	47,783	–
Issuance of shares following exercise of stock options between July 17, 2007 and December 31, 2007	20,600	2.00	41	67
AT DECEMBER 31, 2007	**23,911,982**	**2.00**	**47,824**	**409**

At the Annual General Meeting on July 16, 2007, shareholders decided to reduce the nominal value of all existing shares to €2.

The reduction in the share capital through a reduction in the nominal value of shares to €2 affected 23,736,382 shares, while the number of shares outstanding at July 16, 2007, taking into account the 155,000 options exercised up to July 16, 2007, stood at 23,891,382. The share capital was thus reduced by €43,273 thousand, rather than €42,992 thousand, thereby cutting the share capital from €91,055 thousand to €47,783 thousand. Since not all the shares were taken into account on July 16, 2007, a resolution for approval of the full amount of the capital reduction to €43,273 thousand will be submitted at the Combined General Meeting called to approve the 2007 financial statements.

The share capital was increased from €47,783 thousand to €47,824 thousand through issuance of 20,600 shares between July 17, 2007 and December 31, 2007 following the exercise of options.

12.2 Treasury shares

	12/31/2007	12/31/2006
Number of treasury shares	73,939	73,939
Value of treasury shares held (In thousands of euros)	504	504

Treasury shares are stated at their historical cost of €504 thousand.

12.3 Stock options

Details of existing plans

At the Annual General Meetings of June 26, 1995 and March 30, 2000, shareholders authorised the issuance of stock subscription options. The Management Board issued six stock option plans between 1998 and 2002. The options granted may be settled in shares (settlement in equity instruments within the meaning of IFRS 2).

Pursuant to the transitional arrangements defined in IFRS 1, only option plans granted after November 7, 2002 have to be measured and recognised in this way. Since no option plans have been granted since this date, no impact has been recognised.

The main characteristics of the stock options granted are as follows:

Date of grant (date of Management Board Meeting)	04/23/1998	04/26/1999	09/06/1999	05/03/2000	09/20/2002	11/04/2002
Number of options granted	361,000	544,500	37,000	253,900	273,650	300,000
Subscription price	€10.1	€5.3	€5.3	€7.5	€2.21	€2.21
Vesting period	5 years	5 years	5 years	4 years	4 years	(1)
Life of options	10 years	10 years	10 years	10 years	10 years	10 years

(1) 25% of the options may be exercised immediately, plus 25% from July 1, 2003, 2004 and 2005 respectively.

Changes in the number of options outstanding at December 31, 2007 break down as follows:

Date of grant	Number of options outstanding at 12/31/2006	Option rights reinstated during 2007	Number of options exercised by 12/31/2007	Number of options outstanding at 12/31/2007	Exercise price in euros	Contractual residual life
04/23/1998	87,800	30,500	36,900	81,400	10.1	0.3 years
04/26/1999	103,000	35,000	19,000	119,000	5.3	1.3 years
05/03/2000	91,000	8,000	34,100	64,900	7.5	2.3 years
09/20/2002	93,500		25,600	67,900	2.21	4.7 years
11/04/2002	60,000		60,000	0	2.21	4.8 years
TOTAL	**435,300**	**73,500**	**175,600**	**333,200**		

With regard to the stock options granted in September and November 2002 and exercised by July 16, 2007, when the share capital was reduced through a reduction in the nominal value to €2, the Company had to contend with a legal problem insofar as the nominal value of Recylex shares (€3.81) at the exercise date of the options was higher than the exercise price of the options (i.e. €2.21). To pay up the shares in full, the Company covered the difference between the nominal value of the shares and the exercise price of the options, recognising an expense of €121,693.14 in respect of options exercised prior to July 16, 2007.

Note 13. Interest-bearing borrowings

13.1 Analysis of borrowings

(In thousands of euros)	12/31/2007	12/31/2006
Current portion of borrowings and debt		
Portion due in less than one year	3,018	2,334
Discounted receivables	5,856	8,033
Commitments to buy out minority investors	0	3,403
TOTAL	**8,874**	**13,770**

(In thousands of euros)	12/31/2007	12/31/2006
Non-current borrowings and debt		
Portion due in more than one year	12,963	1,848
TOTAL	**12,963**	**1,848**

The change in borrowings due in over one year was principally attributable to the arrangement of three new borrowings of €4,000 thousand during the 2007 financial year from Deutsche Bank, €3,988 thousand from HypoVereinsbank and €4,000 thousand from IKB Bank. These borrowings were arranged by RMO to finance the acquisition of Astron's assets by Weser Metall GmbH and the funding by Recylex GmbH of part of its capital expenditure.

13.2 Repayment schedule of non-current borrowings

(In thousands of euros)	12/31/2007 Less than 1 year	From 1 to 5 years	More than 5 years	Total	12/31/2006
Bank borrowings		12,125	838	12,963	1,848
Misc. debt					0
INTEREST-BEARING BORROWINGS		**12,125**	**838**	**12,963**	**1,848**

Note 14. Provisions

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

a) Provisions at December 31, 2006 and December 31, 2007

(In thousands of euros)	12/31/2007	12/31/2006
Current provisions		
Environmental provisions	11,678	7,550
Litigation	1,548	750
Restructuring	144	89
Other risks and charges	8	19
	13,378	**8,408**
Non-current provisions		
Environmental provisions	20,106	22,055
Litigation	605	5,206
Restructuring	241	328
Other risks and charges	2,035	4,595
	22,987	**32,185**
TOTAL PROVISIONS	**36,365**	**40,592**

Environmental provisions are described in detail in note 38 and pension liabilities in note 15.

b) Change in provisions at December 31, 2006 and at December 31, 2007

(In thousands of euros)	Provisions at Dec. 31, 2006	Additions during the period	Discounting	Reclassification	Reversals during the period: Provision used	Reversals during the period: Provision not used	Provisions at Dec. 31, 2007
Environmental provisions (note 38)	29,605	4,684	(1,867)	1,622	(2,195)	(64)	31,785
Litigation	5,956	137	965	128	(5,022)	(13)	2,152
Restructuring	418	51			(75)	(8)	385
Other risks and charges	4,614	370		(1,750)	(948)	(243)	2,043
TOTAL PROVISIONS	**40,593**	**5,242**	**(902)**		**(8,240)**	**(328)**	**36,365**

The Group updated its estimate of the maturity schedule and measurement of environmental provisions for two of its plants, leading to a change in the discounting effect of €1.9 million.

The decrease in provisions for litigation derives mainly from the reclassification of two claims stated by Metaleurop Nord's suppliers under rescheduled liabilities pursuant to the continuation plan (note 18).

Other risks and charges notably include €1.9 million for tax risks (Germany).

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, 2006 and December 31, 2007

(In thousands of euros)	12/31/2007	12/31/2006
Post employment benefits – Current obligations	1,173	1,590
Post employment benefits – Non-current obligations	29,816	28,914
POST EMPLOYMENT BENEFITS – TOTAL OBLIGATIONS	**30,989**	**30,504**

b) Change in provisions at December 31, 2006 and at December 31, 2007

(In thousands of euros)	Provisions at 12/31/2006	Additions during the period	Reversals during the period	Provisions at 12/31/2007
Post-employment benefit obligations – pension liabilities	30,504	3,137	(2,652)	30,989

Changes in defined benefit plan obligations during the period break down as follows:

	Germany		France		Total	
(In thousands of euros)	12/31/2007	12/31/2006	12/31/2007	12/31/2006	12/31/2007	12/31/2006
Change in benefit obligations						
Total current value of benefit obligations at the beginning of the financial year	**(32,551)**	**(33,732)**	**(592)**	**(582)**	**(33,143)**	**(34,313)**
Current service cost during the financial year	(276)	(307)	(21)	(19)	(297)	(327)
Interest expense	(1,420)	(1,306)	(24)	(20)	(1,444)	(1,326)
Transfers	–	(3)	–	–	–	(3)
Actuarial gains/(losses)	2,142	855	51	(2)	2,193	853
Plan amendments	–	3	–	–	–	3
Curtailments/settlements	(590)	–	–	–	(590)	–
Benefits paid	1,952	1,940	26	31	1,978	1,971
Other	(58)	–	–	–	(58)	0
Total current value of benefit obligations at the end of the financial year	**(30,803)**	**(32,551)**	**(560)**	**(592)**	**(31,363)**	**(33,143)**
Of which partially or fully funded plans	–	–	–	–	–	–
Of which unfunded plans	(30,803)	(32,551)	(560)	(592)	(31,363)	(33,143)
Coverage of benefit obligations						
Total current value of benefit obligations at the end of the financial year	(30,803)	(32,551)	(560)	(592)	(31,363)	(33,143)
Unrecognised actuarial gains and losses	416	2,623	(42)	16	374	2,638
Liabilities recognised on the balance sheet	**(30,387)**	**(29,927)**	**(602)**	**(576)**	**(30,989)**	**(30,504)**
Of which, current portion	–	–	–	–	(1,173)	(1,590)

Pension costs recognised break down as follows:

	Germany		France		Total	
(In thousands of euros)	12/31/2007	12/31/2006	12/31/2007	12/31/2006	12/31/2007	12/31/2006
Current service cost during the financial year	(276)	(307)	(21)	(19)	(297)	(327)
Interest expense	(1,420)	(1,306)	(24)	(20)	(1,444)	(1,326)
Amortisation of actuarial gains and losses	(65)	(119)	(8)	(2)	(73)	(121)
Settlement impact	(590)	–	–	–	(590)	–
Other	(59)	–	–	–	(59)	–
Net periodic costs	**(2,410)**	**(1,732)**	**(53)**	**(42)**	**(2,463)**	**(1,774)**

Amounts recognised on the balance sheet changed as follows:

	Germany		France		Total	
(In thousands of euros)	12/31/2007	12/31/2006	12/31/2007	12/31/2006	12/31/2007	12/31/2006
Amount (provisioned)/recognised as an asset at the beginning of the financial year	(29,927)	(30,135)	(576)	(566)	(30,503)	(30,701)
Net periodic costs	(2,410)	(1,732)	(53)	(42)	(2,463)	(1,774)
Contributions/benefits paid	1,950	1,940	27	31	1,977	1,971
Amount (provisioned)/recognised as an asset at the end of the financial year	**(30,387)**	**(29,927)**	**(602)**	**(576)**	**(30,989)**	**(30,504)**

Experience adjustments (actuarial gains and losses linked to changes in demographic variables in the calculations) arising from benefit obligations amounted to €300,000 in losses in Germany and €10,000 in gains in France at December 31, 2007. They represented €314,000 in losses at December 31, 2006.

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

For Germany:

	Germany				
(In thousands of euros)	12/31/2003	12/31/2004	12/31/2005	12/31/2006	12/31/2007
Total current value of benefit obligations at the end of the financial year	29,988	32,797	33,732	32,551	30,803
Market value of plan assets at the end of the financial year	–	–	–	–	–
Coverage of benefit obligations	**(29,988)**	**(32,797)**	**(33,732)**	**(32,551)**	**(30,803)**

For France:

	France				
(In thousands of euros)	12/31/2003	12/31/2004	12/31/2005	12/31/2006	12/31/2007
Total current value of benefit obligations at the end of the financial year	423	449	582	592	560
Market value of plan assets at the end of the financial year	–	–	–	–	–
Coverage of benefit obligations	**(423)**	**(449)**	**(582)**	**(592)**	**(560)**

Actuarial assumptions

The assumptions underpinning measurements at the 2006 and 2007 balance sheet dates are presented below:

	Germany		France	
(In thousands of euros)	12/31/2007	12/31/2006	12/31/2007	12/31/2006
Discount rate	5.10%	4.50%	5.15%	4.00%
Salary increase assumptions	**2.0%**	**2.0%**	**2.1%**	**2.1%**

The following table presents a study of the sensitivity of actuarial obligations to changes in the discount rate applied:

(In thousands of euros)	Germany	France
0.25% increase in discount rate	29,990	588
0.25% decrease in discount rate	31,663	613

Since Recylex has elected to use the corridor approach for recognising actuarial gains and losses, a reduction or an increase in the discount rate would not alter the amount of its benefit obligations at December 31, 2007.

c) 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 €7,100 during 2007 and related solely to FMM (Belgium). The contributions expensed in prior years break down as follows:

Years	Contributions (In thousands of euros)
2006	9.6
2005	9.8

d) Legal right to continuous training (DIF) at French companies

The total number of theoretical training hours corresponding to vested rights stood at around 5,731. The actual amount of activations requested stood at zero during 2006. In accordance with opinion no. 2004-F issued by the *Comité d'urgence* (interpretations committee) of the *Conseil national de la comptabilité* (national accounting standards-setter) on October 13, 2004, no provision for individual training rights was set aside in the consolidated financial statements.

Note 16. Trade payables

The Company's trade payables break down as follows:

(In thousands of euros)	12/31/2007	12/31/2006
Trade payables	24,200	23,903
Total trade payables	**24,200**	**23,903**

Trade payables do not bear interest and are generally payable within 0 to 90 days.

Note 17. Other current liabilities

Other current liabilities break down as follows:

(In thousands of euros)	12/31/2007	12/31/2006
Liabilities rescheduled under the continuation plan (note 18)	1,714	9,992
Tax and social security liabilities	16,598	9,727
Liabilities related to non-current assets	193	207
Other liabilities	8,542	7,878
Prepaid income	410	2,316
TOTAL	**27,458**	**30,119**

The increase in tax and social security liabilities was principally attributable to the increase in income tax and business tax liabilities at German companies Weser Metall GmbH and Harz-Metall GmbH.

Other liabilities include an option to sell to PPM 6% of the share capital of Metaleurop Weiterverarbeitung GmbH, previously owned by TUI Group AG, which was exercised on July 4, 2003 for €6 million. Settlement of this amount was deferred pending the outcome of a claim against the TUI Group AG. This claim relates to the repayment of environmental costs incurred by Harz-Metall GmbH and PPM Pure Metals GmbH in respect of past pollution that occurred when TUI Group AG was the operator of the relevant sites.

Note 18. Liabilities rescheduled under the continuation plan

Following the cessation of payments on October 21, 2003 by Metaleurop SA, which changed its name to Recylex SA, and the commencement of the recovery proceedings on November 13, 2003, the Company's outstanding liabilities were frozen at this date.

In 2005, following the continuation plan agreed by the French legal authorities (Paris Commercial Court), these liabilities were reclassified under current and non-current liabilities according to their due date.

These liabilities were then rescheduled based on the two options provided for in the continuation plan:

- **Option 1:** repayment of 50% of the liability, without interest, over a two-year period, with 25% due on the first anniversary date of adoption of the continuation plan and 25% on the second anniversary date of adoption of the continuation plan. Waiver of the remainder of the liability subject to a clawback provision. This clause provides that from and including December 31, 2015, the Company will allocate 20% of its cash at December 31 in each financial year to the repayment of the waived debt on a pari passu basis between creditors, with no limit on the duration of such repayments. The total amount of liabilities covered by the clawback provision stands at €19,210 thousand, and they are presented under commitments and contingencies in note 29.5.
- **Option 2:** Repayment of 100% of the liability, without interest over a ten-year period:
  - 4% of the liability on the 1st anniversary date of adoption of the continuation plan;
  - 4% of the liability on the 2nd anniversary date of adoption of the continuation plan;
  - 8% of the liability on the 3rd anniversary date of adoption of the continuation plan;
  - 8% of the liability on the 4th anniversary date of adoption of the continuation plan;
  - 10% of the liability on the 5th anniversary date of adoption of the continuation plan;
  - 10% of the liability on the 6th anniversary date of adoption of the continuation plan;
  - 12% of the liability on the 7th anniversary date of adoption of the continuation plan;
  - 12% of the liability on the 8th anniversary date of adoption of the continuation plan;
  - 16% of the liability on the 9th anniversary date of adoption of the continuation plan;
  - 16% of the liability on the 10th anniversary date of adoption of the continuation plan.

In accordance with section 40 of IAS 39, upon an exchange between an existing borrower and lender of debt instruments, it is established whether the terms of the original financial liability and the new financial liability are substantially different.

The present value of cash flows under the new borrowing terms provided for in the continuation plan discounted at the original effective interest rate differs by over 10% from the amortised cost of the original financial liability. Accordingly, the Group believes that this renegotiation of debt should be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the redemption cost (fair value of the new borrowings) and the amortised cost of the original liability is thus recognised in income at the date on which the continuation plan was agreed.

The fair value of the new liability is equal to the present value of the cash flows provided for in the continuation plan. The special nature of this liability means that an appropriate discount rate cannot be determined. Accordingly, the discount rate adopted is a risk-free interest rate of 4.35% (ten-year OAT yield) to take time value into account.

The liabilities rescheduled under the continuation plan are recorded under other current liabilities and other non-current liabilities (note 17).

Analysis of rescheduled liabilities, current

(In thousands of euros)	12/31/2007	12/31/2006
Bank borrowings	12	878
Misc. financial liabilities (including accrued interest)	1,103	9,364
Trade payables	90	64
Tax and social liabilities	77	26
Misc. liabilities	499	0
Current rescheduled liabilities under the continuation plan prior to discounting	**1,781**	**10,334**
IMPACT OF DISCOUNTING CASH FLOWS	**(67)**	**(342)**
Current rescheduled liabilities under the continuation plan after discounting	**1,714**	**9,992**

Nature of non-current rescheduled liabilities

(In thousands of euros)	12/31/2007	12/31/2006
Subsidised loans		0
Bank borrowings	130	142
Misc. financial liabilities (including accrued interest)	11,581	12,286
Trade payables	912	965
Misc. financial liabilities	813	1,256
Misc. liabilities	5,152	607
Non-current rescheduled liabilities under the continuation plan prior to discounting	**18,588**	**15,256**
IMPACT OF DISCOUNTING CASH FLOWS	**(3,736)**	**(3,049)**
Non-current rescheduled liabilities under the continuation plan after discounting	**14,852**	**12,207**

Non-current rescheduled liabilities (by maturity)

(In thousands of euros)	12/31/2007		
	From 1 to 5 years	More than 5 years	Total
Non-current rescheduled liabilities before discounting	8,851	9,737	18,588

After reclassification of two claims (amounting to €5 million) declared by Metaleurop Nord's suppliers, provisions for litigation (note 14b) under rescheduled liabilities and payment of the final €11 million instalment in November 2007, (current and non-current) rescheduled liabilities amounted to €20.3 million at December 31, 2007.

Note 19. Segment reporting

In accordance with IAS 14, Recylex publishes segment reporting by business segment and by geographic area.
Its primary reporting format is by business segment. Recylex has identified the following four principal business segments:

- Zinc
- Lead
- Special metals
- Plastics

Its secondary reporting format is by geographic segment. The Group's geographic segments are determined based on the location of the Group's assets:

- France
- Germany
- Belgium

Transfers between the various segments were not material.

19.1 Business segments

The following tables show for each of the Group's business segments the sales, operating income and certain asset and liability-related data for financial years ended December 31, 2006 and 2007.

During 2007, the Group changed its approach to calculating segment earnings to bring it into line with its internal reporting. All costs directly attributable to the business segments are now allocated to them, and plastics has become an independent business segment.

The data for 2006 was restated in line with this new approach.

The principal unallocated amounts relate to services provided by the head office, environmental provisions covering closed sites and rescheduled liabilities under the continuation plan.

Financial year ended December 31, 2007:

(In thousands of euros)	Lead	Zinc	Special metals	Plastics	Eliminations	Total
Sales to external customers	335,391	137,797	21,846	14,549		509,582
Inter-segment sales	4,194	16	0	2,174	(6,384)	0
Total sales	**339,585**	**137,812**	**21,846**	**16,723**	**(6,384)**	**509,582**
SEGMENT OPERATING INCOME	**75,346**	**19,688**	**109**	**236**		**95,379**
Unallocated costs						(10,048)
OPERATING INCOME BEFORE NON-RECURRING ITEMS						**85,332**
Other non-recurring operating income/(expense)						(955)
Net financial income						(2,330)

Share in earnings contributed by associate						
Income tax benefit/(expense)						(14,328)
NET INCOME FOR THE PERIOD						**67,719**
Assets and liabilities						
Intangible assets	106	764	1,063	24		1,957
Property, plant and equipment	45,387	18,685	7, 698	5,615		77,384
Inventories	56,070	11,392	9,427	1,787		78,677
Trade receivables	37, 625	11,242	2,325	2,769		53,961
TOTAL SEGMENT ASSETS	**139,188**	**42,083**	**20,513**	**10,195**	**0**	**211, 979**
Provisions and pension liabilities	25,139	8,757	2,137	31,321		67,354
Trade payables	14,025	6 ,121	529	3,525		24,200
Other current liabilities	14,040	(14,602)	8,112	19,909		27,458
Segment liabilities	**53,204**	**275**	**10,778**	**54,755**	**0**	**119,012**
Other segment data						
Investments:						
Additions to property, plant and equipment	7, 987	3,266	3,573	426		15,252
Additions to intangible assets	52	3	1,100	0		1,155
Depreciation, amortisation and additions to provisions						
Property, plant and equipment	(5,414)	(3,017)	(662)	(791)		(9,884)
Intangible assets	(40)	(76)	(37)	0		(153)
Other non-cash expenses	(6,698)	(171)	211	(4,392)		(11,051)

Financial year ended December 31, 2006 (restated):

(In thousands of euros)	Lead	Zinc	Special metals	Plastics	Eliminations	Total
Sales to external customer	182,299	134,338	19,545	11,453		347,635
Inter-segment sales	2,151				(2,151)	
Total sales	**184,450**	**134,338**	**19,545**	**11,453**	**(2,151)**	**347,635**
SEGMENT OPERATING INCOME	**29,941**	**27,245**	**1,333**	**337**		**58,856**
Unallocated costs						(7,842)
Operating income before non-recurring items						**51,014**
Other non-recurring operating income and expense						(6,163)
Net financial income						(2,093)
Share in earnings contributed by associates						37
Income tax benefit/(expense)						1,376
NET INCOME FOR THE PERIOD						**44,171**
Assets and liabilities						
Intangible assets	95	836	0	25		956
Property, plant and equipment	42,694	18,400	4,787	5,998		71,879
Inventories	30,847	13,016	5,927	1,408		51,198
Trade receivables	14,417	17,258	2,847	2,431		36,953
TOTAL SEGMENT ASSETS	**88,053**	**49,510**	**13,561**	**9,862**		**160,986**
Provisions and pension liabilities	25,339	8,634	1,981	35,144		71,098
Trade payables	9,623	11,902	390	1,988		23,903
Other current liabilities	6,576	3,993	6,876	12,674		30,119
SEGMENT LIABILITIES	**41,538**	**24,529**	**9,247**	**49,806**		**125,120**

19.2 Geographic segments

The following tables show for each of the Group's geographic segments the sales, operating income, capital expenditure and certain asset-related data for financial years ended December 31, 2006 and 2007.

Financial year ended December 31, 2007.

(In thousands of euros)	France	Germany	Belgium	Eliminations	Total
Total sales					
Sales to external customers	61,325	422,001	26,257		509,582
Inter-segment sales	78,868	368	17,849	(97,084)	0
SEGMENT REVENUE	**140,192**	**422,369**	**44,106**	**(97,084)**	**509,582**
Other segment data					
Segment assets					
Intangible assets	785	1,172	0		1,957
Property, plant and equipment	17,533	58,506	1,345		77,384
Inventories	5,773	71,363	1,540		78,677
Trade receivables	7,213	45,000	1,749		53,961
TOTAL SEGMENT ASSETS	**31,304**	**176,041**	**4,634**		**211,979**
Investments					
Additions to property, plant and equipment	3,228	11,829	196		15,252
Additions to intangible assets	3	1,152	0		1,155
Segment liabilities					
Provisions and pension liabilities	23,637	42,227	1,490		67,354
Trade payables	1,932	20,462	1,805		24,200
Other current liabilities	11,773	14,862	823		27,458
TOTAL SEGMENT LIABILITIES	**37,343**	**77,551**	**4,118**		**119,012**

Financial year ended December 31, 2006

(In thousands of euros)	France	Germany	Belgium	Eliminations	Total (restated)
Total sales					
Sales to external customers	60,623	271,529	15,483		347,635
Inter-segment sales	30,494	427	7,684	(38,605)	0
SEGMENT REVENUE	**91,117**	**271,956**	**23,167**	**(38,605)**	**347,635**
Other segment data					
Segment assets					
Intangible assets	857	99			956
Property, plant and equipment	15,835	54,666	1,378		71,879
Inventories	6,181	44,617	400		51,198
Trade receivables	11,121	24,172	1,660		36,953
TOTAL SEGMENT ASSETS	**33,994**	**123,554**	**3,438**		**160,986**
Investments					
Additions to property, plant and equipment	4,517	3,572	377		8,466
Additions to intangible assets	14	25			39
Segment liabilities					
Provisions and pension liabilities	27,621	42,024	1,453		71,098
Trade payables	648	22,589	665		23,903
Other current liabilities	23,003	6,454	663		30,119
TOTAL SEGMENT LIABILITIES	**51,272**	**71,067**	**2,781**		**125,120**

Note 20. Staff costs

The average Group headcount on a full-time equivalent basis was as follows:

	12/31/2007	12/31/2006
Belgium	23	23
France	122	120
Germany	501	473
TOTAL FTE EMPLOYEES	**646**	**616**

Staff costs break down as follows:

(In thousands of euros)	12/31/2007	12/31/2006
Wages and salaries	(34,255)	(30,304)
Payroll (employer and employee) costs	(7,314)	(7,171)
TOTAL STAFF COSTS	**(41,569)**	**(37,475)**

Note 21. Research and development costs

Research and development costs expensed directly in income amounted to:

(In thousands of euros)	12/31/2007	12/31/2006
RESEARCH AND DEVELOPMENT COSTS	**(734)**	**(828)**

Note 22. Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses recognised during the 2006 and 2007 financial years break down as follows:

(In thousands of euros)	12/31/2007	12/31/2006
Depreciation of non-current assets	(9,884)	(9,273)
Amortisation of intangible assets	(153)	(196)
Additions to provisions and impairment losses	(9,519)	(3,889)
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES	**(19,556)**	**(13,358)**

The increase in costs linked to provisions and impairment losses derived primarily from the write-down of the Nordenham plant's inventory following the collapse in metal prices in late 2007.

Note 23. Other operating income and expense

Other operating income and expense breaks down as follows:

(In thousands of euros)	12/31/2007	12/31/2006
Operating subsidies	45	4
Other income and expense	1,451	4,075
OTHER EXPENSES	**1,496**	**4,079**

Note 24. Other non-recurring operating income and expense

These include income and expense that is unusual in terms of its frequency, nature or amount.

(In thousands of euros)	12/31/2007	12/31/2006
Impact of the continuation plan[1]	198	(887)
Addition to provisions and additional costs incurred at the Estaque plant	(1,383)	(4,771)
Restructuring costs at the Villefranche and Escaudœuvres plants		(188)
Reversal of provisions for neighbourhood easements at Villefranche and Escaudœuvres plants	312	
Additions and expenses related to labour court litigation		(741)
Reversal of provisions for Penarroya Espagne claims		530
Other	(82)	(106)
TOTAL OTHER NON-RECURRING OPERATING INCOME AND EXPENSE	**(955)**	**(6,163)**

(1) Other non-recurring operating income and expense related to the continuation plan breaks down as follows:

(In thousands of euros)	12/31/2007	12/31/2006
Waiver of debt granted to the Recylex group	144	604
Liabilities extinguished based on the terms agreed under the continuation plan	107	
Impact of debt waivers and extinguishments following acceptance of the continuation plan	*251*	*604*
Liabilities declared during the financial year	(53)	(1,786)
Additions to and reversals of provisions for litigation on disputed claims under the plan		295
TOTAL	**198**	**(887)**

Note 25. Net interest expense

Interest expense on net debt breaks down as follows:

(In thousands of euros)	12/31/2007	12/31/2006 restated	12/31/2006
Interest income from cash and cash equivalents[1]	1,732	1,002	6
Interest expense on bank and non-bank borrowings and bank overdrafts[2]	(777)	(287)	(1,174)
NET INTEREST EXPENSE	**957**	**715**	**(1,168)**

(1) Income from short-term investments, which was previously classified under "Income from other receivables", is now accounted for under "Income from cash and cash equivalents" (note 26).
(2) Factoring costs, which were previously classified under "Interest on bank and non-bank borrowings" are now accounted for under "Other financial income and expense" (note 26).

Note 26. Other financial income and expense

(In thousands of euros)	12/31/2007	12/31/2006 restated	12/31/2006
Income from other receivables	–		919
Net foreign exchange gains and losses	(1,237)	(858)	(858)
Impact of discounting provisions and liabilities	(554)	(524)	(598)
Factoring costs	(1,460)	(1,423)	0
Other financial income and expense	(36)	(4)	(389)
OTHER FINANCIAL INCOME AND EXPENSE	**(3,287)**	**(2,809)**	**(926)**

Note 27. Income taxes

Income tax expense for the financial years ended December 31, 2006 and 2007 principally comprises the following items:

(In thousands of euros)	12/31/2007	12/31/2006
Current income tax	(14,244)	(7,113)
Current income tax benefit/(expense)	**(14,244)**	**(7,113)**
Arising from the creation and reversal of temporary differences	51	(1,892)
Related to tax loss carryforwards	(135)	10,381
Deferred income tax benefit/(expense)	**(84)**	**8,489**
CONSOLIDATED INCOME TAX EXPENSE	**(14,328)**	**1,376**

Total income tax expense can be reconciled to taxable profit multiplied by the tax rate applicable in France in the financial years ended December 31, 2006 and 2007 as follows:

27.1 Reconciliation between actual income tax expense and the amount theoretically payable

(In thousands of euros)	12/31/2007	12/31/2006
Net income before tax	82,047	42,795
Group tax rate	33.33%	33.33%
Theoretical income tax expense	**(27,346)**	**(14,264)**
Increase or decrease in income tax expense resulting from:		
– use of previously unrecognised tax loss carryforwards and recognition of losses on tax loss carryforwards as assets	11,329	11,506
– Taxes at reduced rates	1,305	4,152
– Other differences	384	(18)
ACTUAL TAX EXPENSE	**(14,328)**	**1,376**

27.2 Deferred tax assets and liabilities

(In thousands of euros)	12/31/2007	12/31/2006
Deferred tax assets		
Provisions added back for tax purposes	10,677	11,191
Additional provision for employee benefits	2,017	3,730
Additional provision for impairment of non-current assets	903	1,280
Change in inventory valuation method at German units	142	235
Tax loss carryforwards	13,736	13,871
Offset of deferred tax assets and liabilities at the same taxable entity	(10,597)	(14,995)
TOTAL	**16,878**	**15,313**
Deferred tax liabilities		
Restatement of expected useful life of non-current assets	(7,259)	(11,396)
Change in inventory valuation method at German units	(7,455)	(6,212)
Discounting of provisions and liabilities	(2,479)	(2,192)
Deferred tax on hedge accounting	(1,553)	
Other temporary differences	(5)	(148)
Offset of deferred tax assets and liabilities at the same taxable entity	10,597	14,995
TOTAL	**(8,154)**	**(4,952)**
Net deferred taxes	**8,724**	**10,361**

For the financial years ended December 31, 2006 and December 31, 2007, the Group opted to limit the amount of deferred tax assets recognised in respect of tax losses to the forecast tax calculated for the following three years. The deferred tax assets

arising on tax loss carryforwards recognised by the Group amounted to €13.9 million at December 31, 2006 and €13.7 million at December 31, 2007.

The Group holds tax losses that may be carried forward indefinitely against the future taxable income of companies that generated these losses.

These tax losses amounted to €145 million, i.e.:
- €99 million at French units;
- €46 million at German units.

Note 28. 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

	12/31/2007	12/31/2006
Net income attributable to equity holders of the parent (in thousands of euros)	67,719	44,171
Weighted average number of ordinary shares used to calculate basic earnings per share	23,864,801	23,736,382
EARNINGS PER SHARE IN EUROS	**2.84**	**1.86**

	12/31/2007	12/31/2006
Net income attributable to equity holders of the parent (in thousands of euros)	67,719	44,171
Weighted average number of ordinary shares used to calculate basic earnings per share	23,864,801	23,736,382
Impact of dilution:		
Stock options (with dilutive impact)	380,381	435,300
Weighted average number of ordinary shares adjusted for diluted earnings per share	24,245,182	24,171,682
DILUTED EARNINGS PER SHARE	**2.79**	**1.83**

Note 29. Commitments and contingencies

29.1 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:

	2007			2006		
(In thousands of euros)	Less than 1 year	1 to 5 years	More than 5 years	Less than 1 year	1 to 5 years	More than 5 years
Buildings	444	101		533	153	
Other	978	1,139		794	1,250	17
TOTAL	**1,422**	**1,240**		**1,327**	**1,403**	**17**

Expenses incurred under operating leases amounted to €1,810 thousand in 2007 and €1,605 thousand in 2006.

29.2 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 €1,090,000 at December 31, 2007 and €1,274,000 at December 31, 2006.

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)	12/31/2007	12/31/2006
Minimum payments due in less than one year	669	400
Minimum payments due in more than one year but less than five years	1,341	486
Minimum payments due in more than five years	11	26
Total minimum payments under finance leases	**2,021**	**912**
Less amounts representing interest expense		
Present value of minimum payments under leases	**2,021**	**912**

29.3 Investment commitments

At December 31, 2007, the Group had no investment commitments.

29.4 Commitments arising from the purchase and sale of currency futures

At December 31, 2007, the Group had not entered into any commitments arising from the forward sale or purchase of currencies.

29.5 Commitments given

- The debt waived for Recylex SA under the continuation plan of November 24, 2005, which amounted to €19.2 million, is subject to a clawback provision, the details of which are described in note 18.
- The pledge of Recylex GmbH shares to the banks was transferred to Glencore following the latter's purchase of bank debt on August 4, 2005.
- Land owned by HMG GmbH was pledged as collateral for a loan arranged by C2P GmbH in a maximum amount of €1.2 million, €1.2 million of which is still outstanding.
- FMM granted a mortgage security on buildings in an amount of €0.8 million and issued a pledge on its business as collateral in an amount of €0.3 million.
- Recylex SA granted a mortgage security interest to the French water agency amounting to €2.2 million covering the land at the Estaque site.
- Weser Metall GmbH and Reinstmetalle Osterwieck GmbH pledged their trade receivables as collateral for two loans in respective amounts of €3.5 million and €4.0 million.

29.6 Litigation and contingent liabilities

See the notes concerning significant events for the 2007 financial year (note 1) and the note on environmental issues (note 38).

Note 30. Information concerning related parties and benefits granted to administrative and management bodies

30.1 Information concerning related parties

	Expenses		Income		Receivables		Liabilities	
(In thousands of euros)	2007	2006	2007	2006	2007	2006	2007	2006
Glencore	24,760	15,576	60,717	18,103	3,405	914	10,559	19,924
Recytech	42	42		0		–	16	19
Maturity								
Less than one year		–		–	3,405	914	934	9,365
From one to five years		–		–		–	4,591	4,131
More than five years		–		–		–	5,050	6,427
Impairment of doubtful receivables		–		–		–		–

30.2 Disclosures of the compensation and benefits granted to the Group's administrative and management bodies

Related party transactions comprise the compensation and benefits granted to the Group's senior executives and members of Recylex SA's Board of Directors.

The gross compensation and benefits paid to the Group's senior executives break down as follows:

(In thousands of euros)	12/31/2007	12/31/2006
Short-term benefits	533	552
TOTAL COMPENSATION AND BENEFITS PAID TO SENIOR EXECUTIVES	**533**	**552**

Mr. Yves Roche is entitled to receive compensation should he be relieved of his duties as Chief Executive Officer following a significant change in Recylex SA's ownership structure, with the support of the Board of Directors, provided that Mr. Yves Roche has facilitated such change and the transition to the new core shareholder. This compensation amounts to double the compensation and benefits he received pursuant to his appointment as Chief Executive Officer in the financial year preceding cessation of his duties and may not be paid until the Board of Directors has formally acknowledged satisfaction of the performance conditions.

No other post-employment or long-term benefits have been granted to senior executives.

Note 31. Financial risk management

The Group is exposed to currency risk, interest rate risk and risks associated with fluctuations in raw material prices. The Group is also exposed to other risks, such as counterparty risk and liquidity risk.

The Group has defined a policy and procedures to measure, manage and control its market risk exposure. This policy prohibits any speculative positions from being established in the market and consists in using derivatives to hedge part of the Group's exposure to currency and commodity risk. Procedures have been put in place at the principal companies and will be extended to the smallest Group units.

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 risk is managed centrally by the Group's finance department.

31.1 Interest-rate risk

The Group's risks are housed primary by the Recylex SA holding company, Recylex GmbH, Weser Metall GmbH and the PPM subsidiary. Given the Group's situation, its debt chiefly comprises the rescheduled liabilities under Recylex SA's continuation plan and four fixed-rate borrowings arranged by Recylex GmbH, Weser Metall GmbH, C2P and PPM. Debt covered by the continuation plan does not bear interest. The Group did not purchase any interest-rate hedges in the financial year ended December 31, 2007.

31.2 Currency risk

The Group is exposed to currency risk arising from the transactions conducted by its subsidiaries in various currencies other than their functional currency. The Group's policy is not to hedge this currency risk.

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 does not use any currency hedges to protect against this specific risk.

31.3 Counterparty risk

The Group would be exposed to credit risk if a counterparty failed. The Group's credit risk policy varies from segment to segment.

Credit risk linked to trade receivables

The Group does not anticipate any third-party failures that may have a material impact on its financial statements.

In the lead sector, the Group maintains commercial relationships with a limited number of customers that have sufficiently strong finances to honour their contractual obligations and for which the payment terms granted are very short.

In the other segments, notably zinc, in which the customer base is fragmented, the Group hedges up to 44% of counterparty risk using specific insurance policies. In addition, outstanding customer balances are constantly monitored, which helps to curb the Group's exposure to payment defaults.

Credit risk linked to cash and cash equivalents and derivatives

Currency and commodity hedges and treasury investments are handled by prime financial institutions.

31.4 Commodities risk

The Group is exposed to fluctuations in metals prices, particularly lead and zinc. This exposure derives from sales of metals for which production is based on reused materials (batteries), the price of which is not directly linked to market prices, and on surplus metals recovered from the materials to be processed.

Since the second half of the 2007 financial year, the Group has protected itself against the risk of metal price fluctuations (lead and zinc) using derivatives (futures and options).

31.5 Liquidity risk

Following acceptance of the continuation plan by the Paris Commercial Court on November 24, 2005, Recylex SA's debt was rescheduled (see note 18).

Pursuant to the continuation plan, the Company made the first two repayments to its creditors, which amounted to €11.4 million in 2006 and €11 million in 2007.

Recylex SA has prepared monthly cash forecasts for 2008 based on the information available to it, notably including outlays linked to the outstanding instalments due to creditors during the 2008 financial year. This forecast indicates that the Group will generate positive cash flow on a recurring basis.

The Group's subsidiaries have also submitted their cash flow projections (by cash pool) for 2008. They do not indicate any net financing requirements.

At December 31, 2007, available cash amounted to €79 million. This level of cash is compatible with the Group's debt instalments and repayments to creditors.

Note 32. Financial instruments on the balance sheet

32.1 Analysis of financial instruments by type of instrument

12/31/2007 (In thousands of euros)	Available-for-sale assets	Loans and receivables	Fair value through profit and loss	Hedging derivatives	Debt at amortised cost	Balance sheet value	Fair value
Assets							
Non-current assets							
Non-current financial assets		1,043				1,043	1,043
Non-current derivatives				308		308	308
Current assets							
Trade receivables		53,961				53,961	53,961
Current derivatives				5,120		5,120	5,120
Cash and cash equivalents		73,484	5,678			79,162	79,162
Liabilities							
Non-current liabilities							
Non-current interest-bearing borrowings					12,963	12,963	12,302
Other non-current liabilities(1)					14,853	14,853	14,853
Current liabilities							
Current interest-bearing borrowings					8,874	8,874	8,874
Trade payables					24,200	24,200	24,200
Current derivatives				44		44	44
Other current financial liabilities(2)					7,905	7,905	7,905

(1) Other non-current liabilities solely include liabilities rescheduled under the continuation plan.

(2) Other current liabilities include rescheduled liabilities, amounts due on non-current assets and other current liabilities (note 17)

12/31/2006 (In thousands of euros)	Available-for-sale assets	Loans and receivables	Fair value through profit and loss	Hedging derivatives	Debt at amortised cost	Balance sheet value	Fair value
Assets							
Non-current assets							
Non-current financial assets	17	1,650				1,667	1,667
Non-current derivatives							
Current assets							
Trade receivables		36,953				36,953	36,953
Current derivatives							
Cash and cash equivalents		34,597	17,297			51,894	51,894
Liabilities							
Non-current liabilities							
Non-current interest-bearing borrowings					1,848	1,848	1,754
Other non-current liabilities(1)					12,250	12,250	12,250
Current liabilities							
Current interest-bearing borrowings					13,770	13,770	13,770
Trade payables					23,903	23,903	23,903
Current derivatives							
Other current financial liabilities(2)					16,197	16,197	16,197

(1) Other non-current liabilities solely include liabilities rescheduled under the continuation plan.

(2) Other current liabilities include rescheduled liabilities, amounts due on non-current assets and other current liabilities (note 17)

The fair value of bond issues is calculated by discounting the contractually agreed cash flows at the market interest rate adjusted by the Group's credit spread. The net carrying amount of trade payables and receivables represents a reasonable estimate of their fair value given the Group's short payment periods.

32.2 Net gains and losses by category of instrument and impact on equity

(In thousands of euros)	Recognised in income 2007	2006
Foreign exchange gains/(losses) on loans and receivables (note 26)	(790)	(365)
Impairment loss/reversal of impairment loss on loans and receivables	854	698
Foreign exchange gains/(losses) on cash and cash equivalents (note 26)	(447)	(493)
Factoring costs	(1,460)	(1,423)
Total loans and receivables	**(1,843)**	**(1,583)**
Income from investments held at fair value	1,732	1,002
Investments at fair value through profit or loss[1]	**1,732**	**1,002**
Interest expense on borrowings stated at amortised cost	(776)	(287)
Impact of discounting frozen liabilities (note 26)	(554)	(524)
Foreign exchange losses on borrowings at amortised cost		
Total borrowings and debt at amortised cost	**(1,330)**	**(811)**
Cash flow hedges: amounts recycled to income over the period		
Cash flow hedges: gains and losses on ineffective portion of hedges recognised in income	50	–
Total hedging derivatives	**50**	
TOTAL	**(1,391)**	**(1,392)**

(In thousands of euros)	Recognised in equity 12/31/2007	12/31/2006
Cash flow hedges: change in fair value reflecting the effective portion of the hedge	5,334	–

(1) Relates solely to short-term investments.

32.3 Instruments pledged as collateral

The Group has provided the following financial assets as collateral for existing borrowings and credit lines:

Weser Metall GmbH and Reinstmetalle Osterwieck GmbH pledged their trade receivables as collateral for two loans in respective amounts of €3.5 million and €4.0 million.

Note 33. Information concerning credit risk

33.1 Receivables subject to payment incidents, but not yet written off

12/31/2007 (In thousands of euros)	Balance sheet value	Financial assets neither unpaid nor written off at the balance sheet date	Financial assets unpaid but not written off at the balance sheet date: 0-3 months	3-6 months	Over 6 months	Financial assets written off
Loans	826	826	–	–	–	–
Trade receivables	59,197	35,051	17,720	1,176	14	5,236
Other receivables	3,920	1,689	1,775	–	–	456
Other financial assets[1]	150,608	–	–	–	–	150,608
TOTAL	**214,551**	**37,566**	**19,495**	**1,176**	**14**	**156,300**

(1) These represent loans and advances granted to Metaleurop Nord SAS and Penarroya Espagne (see note 6).

Credit risk exposure breaks down as follows:

At December 31, 2007, €18.9 million in trade receivables remained unpaid, but were not written off. 94% of these receivables were less than thirty days past due.

Treasury investments are made solely in the money markets through AAA-rated banks.

Trade receivables are protected by specific credit insurance covering €2.4 million.

33.2 Impairment status of loans and receivables

(In thousands of euros)	2007 Loans and other non-current financial assets	2007 Trade receivables	2007 Other current assets	2006 Loans and other non-current financial assets	2006 Trade receivables	2006 Other current assets
Total impairment losses at January 1	(244,509)	(5,620)	(968)	(244,982)	(5,719)	(1,137)
Increases	(9)	(130)			(45)	0
Uses	0		0		0	19
Reversals	37	515	455	473	143	150
Total impairment losses at December 31	**(244,481)**	**(5,236)**	**(513)**	**(244,509)**	**(5,620)**	**(968)**

Impairment losses are recognised only on a case-by-case basis.

Note 34. Liquidity risks: outstanding financial liabilities by maturity date

At December 31, 2007, undiscounted contractual cash flows (principal and interest) arising from outstanding financial liabilities break down by maturity date as follows:

12/31/2007 (In thousands of euros)	Balance sheet value	Contractual cash flows	2008	2009	2010	2011	2012	> 5 years
Borrowings	21,837	23,497	8,724	2,927	2,739	2,632	5,371	1,103
Liabilities rescheduled under the continuation plan	16,567	20,370	1,781	1,770	2,213	2,213	2,656	9,737
Trade payables	24,200	24,200	24,200					
Operating and finance lease commitments	1,090	2,111	956	499	377	251	28	
Other current liabilities[1]	6,191	6,191	6,191					
Derivative held as liabilities	44	44	44					
TOTAL		**76,413**	**41,896**	**5,197**	**5,329**	**5,096**	**8,054**	**10,840**

(1) "Other current liabilities" solely comprise liabilities related to non-current assets and the put option granted to PPM (note 17). The current portion of the continuation plan is classified under "Liabilities rescheduled under the continuation plan".

The above table shows all the outstanding liabilities at December 31, 2007, for which cash flows have been contractually agreed. It does not include future forecasts and new liabilities. The contractually agreed cash flows may be repaid by the Group at each maturity date.

Note 35. Exposure to market risk and derivatives

35.1 Commodities risk

The Group is exposed to fluctuations in metals prices, particularly lead and zinc. This exposure derives from sales of metals for which production is based on reused 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 uses derivatives traded on the London Metal Exchange to protect itself against these risks.

Derivatives held as commodity hedges are shown in the following table:

Fair value	12/31/2007			12/31/2006
(In thousands of euros)	Current	Non-current	Total	Total
Derivatives	5,076	308	5,384	–
Assets	5,120	308	5,428	–
Liabilities	44		44	–

The Group treats commodity hedges as cash flow hedges.

The maturity of metal derivatives used for cash flow hedging purposes was as follows:

(In thousands of euros)	Market value of derivatives by maturity date	Nominal
2008 financial year	5,076	21,517
2009 financial year	308	1,573
TOTAL	**5,384**	**23,089**

The hedged cash flows arise during the same periods as those affected by the hedging instruments.

Under IAS 39, the portion of the change in value on the effective portion of derivatives is recognised directly in equity, while the ineffective portion of the change in fair value is recognised in income for the period. Cumulative gains and losses in equity are recycled in income during the same periods that the hedged item affects income.

At December 31, 2007, the amount of unrealised gains and losses recognised in equity over the period amounted to €5,334 thousand.

Changes in hedging reserves are shown in the following table:

(In thousands of euros)	2007	2006
Amount at January 1	–	–
Amount recycled from equity to income	–	–
Amounts recognised directly in equity	5,334	–
Deferred taxes	(1,553)	–
AMOUNT NET OF TAXES AT DECEMBER 31, 2007	**3,781**	**–**

The ineffective portion of these cash flow hedges recognised in income amounted to €50 thousand.

The sensitivity analysis was performed based on the status of derivatives at the balance sheet date. The sensitivity analysis was based on a fluctuation of +/– 27% in lead prices and of +/– 15% in zinc prices from the levels at the balance sheet date.

The impact on equity is calculated by applying these fluctuations in lead and zinc prices:

- the nominal amount of the futures documented as cash flow hedges;
- the nominal amount of options documented as cash flow hedges. Only options in-the-money after the change in commodity prices were included in the sensitivity analysis, since the time value of options was excluded from the calculation.

At December 31, 2007, a +/– 27% fluctuation in lead prices and a +/– 15% change in zinc prices would have affected equity by – €5.4 million / + €5.8 million.

35.2 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, 2007, the Group's exposure to currency risk was as follows:

12/31/2007	In thousands of USD	In thousands of euros
Non-current financial assets		
Other non-current assets		
Trade receivables	8,572	5,823
Current derivatives	7,990	5,428
Other current assets		
Other current financial assets		
Cash and cash equivalents	2,319	1,575
ASSETS	**18,881**	**12,826**
Non-current interest-bearing borrowings		
Other non-current liabilities		
Current interest-bearing borrowings		
Trade payables	1,412	959
Derivatives	64	44
Other current financial liabilities		
LIABILITIES	**1,476**	**1,003**

At the balance sheet date, the sensitivity analysis was performed based on the assets and liabilities denominated in US dollars and commodity derivatives denominated in US dollars.

For currency risk, sensitivity reflects the impact of a +/– 10% change in the euro-dollar exchange rate from the level at the balance sheet date.

The impact on income was calculated as follows:

- the nominal amount of the assets and liabilities (stated in euros), to which a + 10% or – 10% change in the exchange rate is applied;
- plus the nominal amount of commodity derivatives (stated in euros), to which a + 10% or – 10% change in the exchange rate is applied.

At December 31, 2007, a +/– 10% change in the euro-dollar exchange rate would have an impact on income of + €0.7 million should the US dollar appreciate or – €0.6 million if it were to depreciate.

At December 31, 2007, a + 10% or – 10% change in the euro-dollar exchange rate would have an impact on equity of + €0.6 million should the US dollar appreciate or – €0.5 million if it were to depreciate.

35.3 Interest-rate risk

The Group's debt primarily comprises the liabilities covered by the moratorium under Recylex SA's continuation plan and fixed-rate borrowings. The Group has not used any interest-rate hedging derivatives. Based on the data for the financial year, only short-term investments held as assets are sensitive to a rise in interest rates. A 10-point increase in interest rates would impact income by €56 thousand.

Note 36. List of consolidated entities at December 31, 2007

	Registered office	Consolidation method	% interest	% control	% interest at 12/31/2006
Recylex SA (formerly Metaleurop SA)	**Paris**	**Parent company**	**100.00**	**100.00**	**100.00**
FRANCE					
Recylex Commercial SAS (formerly Metaleurop Commercial SAS)	Paris	FC	100.00	100.00	100.00
C2P SAS	Villefranche-sur-Saône	FC	100.00	100.00	100.00
Delot Métal SA	Paris	FC	100.00	100.00	100.00
Norzinco SA	Anzin	FC	100.00	100.00	55.00
Recytech	Fouquières-lès-Lens	PC	50.00	50.00	50.00
BELGIUM					
Fonderie et Manufacture de Métaux SA	Bruxelles	FC	100.00	100.00	100.00
GERMANY					
Recylex GmbH (formerly Metaleurop GmbH)	Langelsheim	FC	100.00	100.00	100.00
Weser Metall GmbH (formerly Metaleurop Weser 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
RMO Reinstmetalle Osterwieck GmbH	Osterwieck	Joined in Jan. 2007 FC	100.00	100.00	–
Norzinco GmbH	Langelsheim	FC	100.00	100.00	55.00

FC = full consolidation.
EM = equity method.
PC = Proportional consolidation.

Note 37. Note on environmental issues

37.1 General presentation

In France, the Recylex group directly operates three plants classified under environmental protection legislation, namely the Villefranche-sur-Saône (Rhône), and Escaudœuvres (Nord) facilities, and the closed site at L'Estaque Marseille (Bouches-du-Rhône). Through its subsidiaries, it operates two other plants, namely Norzinco at Anzin (Nord) and Recytech at Fouquières-les-Lens (Pas-de-Calais).

In Europe, through its subsidiaries, the Recylex group controls FMM, a company operating in Brussels, Belgium, and six companies in Germany, namely Weser Metall in Nordenham, Harz-Metall, Norzinco GmbH and C2P GmbH in Goslar Oker, PPM in Langelsheim and RMO in Osterwieck.

Formed in 1988 from the merger between Société Minière et Métallurgique de Penarroya (SMMP) and the non-ferrous metals division of German group Preussag, the Group assumed responsibility for thirty or so mining concessions in France, two of which were still being operated at the time. Recylex defined a programme of securing its mining concessions, which was validated and kept updated with the French industry ministry and local authorities. The objective is to have finalised all its releases by year-end 2010.

Environmental management covers all active and closed sites in accordance with the Environment Charter of 1995 and the environmental policy defined in 1998.

37.2 Former mines and concessions

The procedure for abandoning work at mining concessions depends on the Mining Code legislation. The operator has to perform work to ensure a sustainable closure of tunnels, as well as making safe the surface facilities, such as buildings, the various installations required for mining activities and former mine waste storage areas. The risk of mining waters, which may contain pollutants, impacting the natural environment is also taken into account. As a result, three former mines have been equipped with installations processing water prior to discharge.

The aggregate amount of provisions covering the entire former mining site rehabilitation programme came to €5,728 thousand at December 31, 2007 (prior to discounting).

The valuation method adopted for amounts requiring provisioning consisted in preparing budget projections with

several specialised research offices. Following these studies, the Group bases its assessments on quotes received after consultations with subcontractors to refine its projections.

During the 2007 financial year, an assessment of the additional work required at several mining facilities and the inclusion of an additional year of recurring costs drove up projected costs by around €2,420 thousand. During the year, the cost of work performed amounted to €1,864 thousand in respect of closure costs for the Peyrebrune (Tarn), Trèves (Gard), Arrens and Pierrefitte (Hautes-Pyrénées) concessions and management of water treatment facilities.

37.3 L'Estaque

Operation of the l'Estaque facility was halted in February 2001. The impact on the local environment was caused by metallurgical waste and demolition waste, which will have to be stored in covered land fills built on-site. Meteoric waters permeating the unprotected former waste facilities are contaminated with toxic elements, notably including arsenic. Some of the rain water is recovered and processed, but the remainder pollutes the ground water. Elimination of all the surface waste will help to prevent this spread of pollution.

A prefectoral order issued in 2002 defines the rehabilitation programme for the site and lays down quality targets for the soil after treatment and technical recommendations concerning the construction of waste storage, which must be unique, but common to a second industry operator with land adjacent to ours. A contract for the storage facility construction project was signed in 2000 with the neighbouring industry operator, but it is currently being challenged by this operator. Several legal proceedings concerning the validity of this contract are currently in progress.

The aggregate amount of provisions covering the l'Estaque site rehabilitation programme came to €17,225 thousand at December 31, 2007 (prior to discounting).

The Company called in a specialised research firm to assess the amount budgeted in respect of the rehabilitation project. This assessment is a regulatory obligation when operations are halted at an installation classified for environmental protection purposes and was sent to the authorities. The amount of the assessment was validated by another evaluation conducted in 2004.

During the 2007 financial year, the work performed cost €1,862 thousand, of which €402 thousand comprised recurring costs. The work included land outside the production site, which was used as a storage area for various types of industrial waste at the beginning of the last century. This work was not included in the aggregate cost of plant rehabilitation and will be completed during the first quarter of 2008, requiring an additional provision of €446 thousand.

37.4 Other provisions for active sites

Provisions for still active sites are described below:

- €186 thousand: for the Villefranche-sur-Saône site covering uncertainty arising from the November 2005 introduction of a public utility easement (*servitudes d'utilité publique*) around the site;
- €9,872 thousand: HMG in Goslar-Oker covering rehabilitation costs for abandoned industrial facilities and the disposal of the slag produced. An additional provision of around €1,330 thousand was set aside to cover technical monitoring costs at the site over a ten-year period and the remediation of environmental damage caused to neighbours;
- €950 thousand: MWG in Nordenham covering rehabilitation costs for the former lead production site. An additional provision of €50 thousand was set aside to cover this liability;
- €213 thousand: PPM in Langelsheim covering rehabilitation costs for the former spoil heap.

In Belgium, where Recylex operates a lead foundry through its FMM subsidiary, the Company's managers are committed to ensure implementation on a daily basis of the regulations, notably those imposed by the IBGE. A guarantee covering remediation of the site in the event of the cessation of its activities has been put in place. The full amount of the guarantee, which stands at €1,436 thousand, was set aside in the financial statements.

37.5 Contingent liabilities

A specialised engineering firm was asked to assess the site remediation costs at Recylex's sites in the event of the cessation of their activities. The estimate takes into account the dismantling and controlled disposal of the industrial installations, full cleaning of the buildings, and soil remediation in the scenarios of both the confinement of polluted soil on-site or its controlled transfer to a landfill site.

For both battery breaker sites (Escaudœuvres and Villefranche-sur-Saône), the estimated cost of the work varies between €6,000 thousand and €8,500 thousand, but for the time being there are no regulatory obligations requiring the Group to set aside provision for these costs.

With regard to the Saint-Laurent-le-Minier mining site, the French Environment ministry has launched an epidemiological investigation, at its own expense, for 2008 and 2009 to assess the health impact of soil naturally containing lead and zinc, at levels that are equivalent or even higher than the zones polluted by mining activity. These studies could lead to a request for additional work.

A French administrative court issued a ruling in 2007 stating that Recylex SA is liable for securing a former mining waste storage facility at Saint-Sébastien-d'Aigrefeuille in the Gard department of southern France. Recylex immediately appealed this ruling. At present, the main issue at stake is implementation of a surveillance system, but it could eventually require major works, should subsidence occur affecting the facility's stability.

At the sites in Germany, Recylex GmbH's subsidiaries factored into their provisions costs arising from the rehabilitation of former plants and waste storage units, which all ceased their activities prior to the merger between Preussag GmbH's and SMM Penarroya's operations in 1988. Under German law, an operator remains liable for all the damage caused by an operator, even if it has sold the land to third parties. Accordingly, the majority of the costs of rehabilitating abandoned industrial facilities is thus borne by Preussag, which has since changed its name to TUI. The German sites have not commissioned an assessment of remediation costs in the event of cessation of their activities.

At WMG's Nordenham facility, investment in a new cleaning system for the kiln building is intended to curb lead or cadmium emissions into the atmosphere and to reduce additional pollution in the surrounding area. Demolition of the former

lead installations continued and the waste will be disposed of through approved channels.
Studies are currently underway to establish the respective responsibilities of the various industry operators located close to the WMG site for the high soil metal content in the area around the plant. At present, these studies should help to confirm (through the existing network) that there has been no further increase in the soil metal content, and if need be, confirm the respective responsibilities for the metals of the Xstrata plant (sold by Recylex in 2002) and the Recylex lead plant.

An ISO 14001 renewal audit was completed successfully during November 2007.

At HMG's Goslar-Oker facility, lead discharges deriving from the battery disposal activities fell considerably, as did dioxin levels in the zinc kiln incinerator. The terms under which the cost of rehabilitation work for the former spoil heaps would be assumed were discussed with the previous operator and the Lower Saxony regional authorities.

At PPM's Langelsheim site, work to secure the former spoil heap was completed at the level of the new road, but further work may be requested by the local authorities costing €4-5 million.

Recylex is active in the market for steel dusts in France through its 50% interest in Recytech SA. This company altered its manufacturing process with the support of Ademe (French environmental agency), the regional authorities and the European Union during 2005.

Smoke stack emissions are now below the limits set in the prefectoral order, only a lack of effective control of mercury emissions has since been brought to light. Particular attention was paid to reducing mercury emissions through a change in activated carbon and improved analytical techniques.

The drive to curb dust emissions originating from storage areas and external handling units was maintained. Recytech does not generate any effluents and recently increased the size of its rain water storage basin to handle unusually heavy rainfall.

The plant gained ISO 14001 certification in 2006.

Norzinco SA produces zinc oxides from zinc-bearing waste. Following changes to the classified installation rating system, Norzinco has been classified as a Seveso high-threshold facility, thereby obliging it to establish a complete safety management system. During 2007, Norzinco performed a hazard analysis and proposed an internal organisation plan in the event of a major accident. In December 2006, a review of the installations' operation was sent to the authorities covering a new operational configuration, which should eventually lead to a complete overhaul of their operating licence. With regard to air emissions, Norzinco had to deal with several filter-related incidents, which prompted it to alter its surveillance procedures for its filtration equipment.

Recylex SA owns land and buildings that belonged to the former Penox activity in Rieux. The operator has sent the authorities and Recylex all the studies related to the planned cessation of its activities. There are no health-related consequences outside the plant, and industrial use of the site interior has already been approved. The results of the authorities audit are expected to be published during the first half of 2008. Recylex SA wishes to sell this industrial site, and several companies have already expressed an interest.

37.6 Other information

Environmental spending at the Villefranche-sur-Saône and Escaudœuvres plants amounted to around €702 thousand in 2007.

Environmental investment totalled €1,000 thousand, primarily comprising the purchase of rust-proof skips and the modernisation of installations to reduce pollution, such as dust from production lines and repairs to floor coverings and drains.

The Villefranche plant achieved ISO 14001 certification in December 2007.

During 2007, Recylex was not involved in any legal proceedings leading to fines for non-compliance with its regulatory obligations. At one mining site, a court order to make a payment of €39 thousand for a study of the stability of the mining waste restraining wall was taken by the prefect. The study was sent to the authorities in June 2006, and the procedure is likely to be abandoned very shortly. Recylex SA was not granted any public environmental funds or subsidies in 2007.

Note 38. Subsequent events

The phenomenon observed in late 2007 (correction in lead prices) continued into January 2008, when lead prices slipped below USD2,500 per tonne.

In February, a fresh increase in raw materials prices was seen, notably in metals, dragging lead prices back above USD3,000 per tonne.

In late January 2008, *l'Institut bruxellois de gestion de l'environnement* (IBGE, *"Belgian environment management authorities"*) recorded a high mercury level in the emissions from Belgian subsidiary FMM SA's smoke stack, which was most likely attributable to accidental pollution of its raw materials, since its activities are confined to the processing of materials that do not contain mercury.

On January 25, 2008, FMM's lead smelting and refining activities were suspended by IBGE, while the battery handling and sale business was allowed to continue. FMM lodged an appeal against IBGE's decision and rapidly took action to curb the impact of this incident on its activities by working together with the Group's other subsidiaries. On March 4, 2008, the environmental authorities overturned IBGE's decision.

Keen to prevent any future risks of accidental mercury pollution, FMM implemented, in conjunction with IBGE, an action plan controlling raw materials and processing smoke stack emissions, with a view to starting up operations again at the end of the first quarter of 2008. Though regrettable, this incident should not have a material impact on the Group.

Statutory Auditors' report on the consolidated financial statements

Year ended December 31, 2007

To the Shareholders,

Following our appointment as statutory auditors by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Recylex SA (formerly Metaleurop SA) for the year ended December 31, 2007.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities, of the financial position of the Group as at December 31, 2007 and of the results of its operations for the year then ended in accordance with IFRS as adopted by the EU.

Without qualifying the opinion expressed above, we draw your attention to the uncertainties set out in note 1.3 to the consolidated financial statements relating to two lawsuits that are still in progress at year end:

- the liquidators of Metaleurop Nord SAS have filed a claim against Recylex SA for repayment of liabilities of Metaleurop Nord SAS up to €50 million. The Regional Court (*Tribunal de Grande Instance*) of Béthune, acting in accordance with Commercial Court procedure, rejected this claim. The liquidators appealed this ruling. To date, the proceedings schedule of the Douai Court of Appeal has not been determined yet;
- 585 former employees of Metaleurop Nord SAS are claiming an indemnity of €30,000 plus €300 in expenses before the Lens Labour Court. Decisions concerning non-executive employees and executive employees are expected to be handed down respectively on June 27, 2008 and September 30, 2008 following the hearings which took place respectively on December 5, 2007 and January 29, 2008.

Given the statement of progress of these two lawsuits at the consolidated financial statements closing date, the company did not record any provision in this respect in the financial statements for the year ended December 31, 2007.

Should these two lawsuits had a negative outcome for Recylex SA, this could jeopardize the continuation plan.

2. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Law (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

• Going concern

Based on our work and on the information communicated to us to date, and as part of our assessment of the accounting policies adopted by your company, we believe that the notes to the consolidated financial statements provide appropriate information regarding the aforementioned uncertainty over the group's ability to continue as a going concern.

• Accounting treatment of debt rescheduling as part of the continuation plan

As part of our assessment of the accounting policies adopted by your company, we ensured that the accounting treatment applied to the debt rescheduling with respect to the continuation plan described in note 18 to the consolidated financial statements and the related disclosures is appropriate.

• Provisions

As specified in notes 2.4 and 14 to the consolidated financial statements, your company records provisions to cover various risks. Based on the information available at the time of our audit work, we assessed the data and assumptions used; we reviewed the methods applied in implementing these

provisions, as well as management approval process of these estimates. We ensured that the disclosures related to the above-mentioned provisions provided in the notes to the consolidated statements as at December 31, 2007 are appropriate.

• Employee benefits

The methods applied for assessing employee benefits are set out in notes 2.4 and 15 to the consolidated financial statements. These benefit obligations were valued by external actuaries. Our work consisted of assessing the data and assumptions used and verifying that the information disclosed in notes to the consolidated financial statements is appropriate.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the unqualified opinion we formed which is expressed in the first part of this report.

3. Specific verification

In accordance with professional standards applicable in France, we have also verified the information related to the group given in the management report. Except for the effect of the matters referred above, if any, we have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

The Statutory Auditors

Paris-La Défense and Neuilly-sur-Seine, March 31, 2008

KPMG Audit
Division of KPMG SA

Catherine Porta
Partner

Deloitte & Associés

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Partner

Financial statements

94 **Balance sheet**

96 **Income statement**

97 **Cash flow statement**

98 **Intermediate income statement balances**

99 **Significant events in 2007 and subsequent events**

100 **Notes to the financial statements**

101 **Notes to the balance sheet**

110 **Notes to the income statement**

112 **Other informations**

118 **Share capital, other equity instruments, results and other information**

119 **Inventory of securities held**

120 **Statutory Auditors' report on the financial statements**

122 **Statutory Auditors' special report**
on regulated agreements and commitments with related parties

Balance sheet

At December 31, 2007

ASSETS (In thousands of euros)	12/31/2007	12/31/2006
Non-current assets		
Intangible assets	3,476	3,560
Amortisation	(3,452)	(3,535)
Sub-total	**24**	**25**
Property, plant and equipment	20,579	20,753
• Depreciation	(13,016)	(13,715)
Sub-total	**7,563**	**7,038**
Financial assets		
Equity investments	204,276	199,803
• Impairment provisions	(135,043)	(134,531)
Loans and advances to investee companies	155,688	155,730
• Impairment provisions	(150,608)	(151,868)
Loans		4
• Impairment provisions		
Other	496	262
• Impairment provisions	(114)	(114)
Sub-total	**74,694**	**69,286**
I – TOTAL NON-CURRENT ASSETS	**82,282**	**76,349**
Current assets		
Inventories & work-in-progress	5,225	2,544
Impairment provisions		
Sub-total	**5,225**	**2,544**
Advance payments on orders	1,197	782
Trade receivables	12,732	14,042
• Impairment provisions	(3,392)	(3,577)
Other receivables	2,050	1,640
• Impairment provisions	(56)	(76)
Marketable securities	3,681	504
• Impairment provisions		
Cash	23,486	18,521
II – TOTAL CURRENT ASSETS	**44,923**	**34,379**
Prepaid expenses and deferred charges	33	79
Unrealised foreign exchange losses		
III – TOTAL ASSETS	**127,237**	**110,807**

EQUITY & LIABILITIES (In thousands of euros)	12/31/2007	12/31/2006
Equity		
Share capital	47,824	90,465
Share premiums	409	6,300
Revaluation reserve	1,484	1,484
Statutory reserve		291
Regulated reserves		
Other reserves	660	4,239
Retained earnings	(7,877)	(75,030)
Special tax-allowable provisions	516	483
Net income for the period	**25,377**	**13,711**
I – TOTAL EQUITY	**68,393**	**41,942**
Provisions for contigencies and charges		
Provisions for contingencies	1,498	6,234
Provisions for charges	23,955	23,953
II – TOTAL PROVISIONS	**25,453**	**30,187**
Liabilities		
Financial liabilities		
Bank borrowings	143	1,021
Other financial liabilities	12,683	21,651
Sub-total	**12,826**	**22,672**
Current liabilities		
Trade payables	6,802	4,405
Tax and employee-related liabilities	1,950	1,461
Liabilities to suppliers of non-current assets		42
Other current liabilities	11,769	7,951
III – TOTAL LIABILITIES	**33,347**	**36,531**
Prepaid income	44	2,147
Unrealised foreign exchange gains		
IV – TOTAL EQUITY & LIABILITIES	**127,237**	**110,807**

Income statement

(In thousands of euros)	12/31/2007	12/31/2006
Sales of goods and services	**83,296**	**36,878**
Provision reversals	1,614	1,665
Other revenue & change in inventories	1,248	1,479
Total revenue	**86,159**	**40,022**
Purchases and change in inventories	49,843	21,452
Other purchases and external charges	10,568	9,073
Taxes other than on income	864	690
Staff costs	2,426	2,165
Amortisation, depreciation & provisions	3,155	1,312
Operating expenses	**66,855**	**34,691**
OPERATING INCOME	**19,303**	**5,331**
Interest & similar income	6,773	695
Provision reversals & expense transfers	1,606	12,041
Foreign exchange gains		
Financial income	**8,379**	**12,736**
Interest & similar expense	0	13
Provision charge	893	0
Foreign exchange losses		
Financial expense	**893**	**13**
NET FINANCIAL INCOME/(EXPENSE)	**7,486**	**12,723**
INCOME BEFORE EXCEPTIONAL ITEMS	**26,789**	**18,054**
Net exceptional gains/(losses) on operating activities	(7,126)	(1,279)
Capital gains/(losses)	(192)	(423)
Net provision reversal/(charge)	5,750	(2,890)
NET EXCEPTIONAL INCOME/(EXPENSE)	**(1,568)**	**(4,592)**
Income before tax	**25,221**	**13,462**
Income tax expense	**(156)**	**(249)**
NET INCOME	**25,377**	**13,711**

Cash flow statement

(In thousands of euros)	12/31/2007	12/31/2006
Net income excluding dividends	19,830	13,591
Amortisation and depreciation	732	498
Changes in provisions	(5,654)	(10,002)
Gains and losses on disposals of non-current assets	70	(75)
OPERATING CASH FLOW	**14,978**	**4,013**
Change in inventories	(2,681)	(1,240)
Change in trade receivables and payables	5,228	1,158
NET CASH FROM OPERATING ACTIVITIES (A)	**17,525**	**3,930**
Purchases of non-current assets and increase in related receivables		
• Property, plant & equipment and intangible assets	(1,268)	(1,066)
• Financial assets	(9,099)	(17)
Disposals of non-current assets and decrease in related receivables		
• Property, plant & equipment and intangible assets	0	88
• Financial assets	4,381	17,161
Investment grants	0	0
NET CASH (USED IN)/FROM INVESTING ACTIVITIES (B)	**(5,987)**	**16,165**
FREE OPERATING CASH FLOW (C=A+B)	**11,538**	**20,095**
Capital contributions	1,041	1,641
Dividends paid	0	0
Dividends received	5,547	121
Change in financial liabilities	(9,846)	(9,672)
Change in non-operating assets and liabilities	(138)	(3)
NET CASH USED IN FINANCING ACTIVITIES (D)	**(3,396)**	**(7,912)**
CHANGE IN CASH AND CASH EQUIVALENTS (C+D)	**8,142**	**12,183**

Intermediate income statement balances

(In thousands of euros)	12/31/2007	12/31/2006
Sales of goods		66
Cost of goods sold		(39)
Gross income		**27**
Production sold	83,296	36,813
Production held in inventory	1,184	1,325
Non-current assets produced for own use		
Total production	**84,480**	**38,137**
Expense transfers	11	146
Purchases of raw materials, consumables and sub-contracting	(52,150)	(22,048)
Change in inventories of raw materials and consumables	1,497	(85)
Other expenses	(9,473)	(8,214)
External charges	**(60,126)**	**(30,346)**
VALUE-ADDED	**24,365**	**7,964**
Operating subsidies	41	
Taxes other than on income	(864)	(690)
Staff costs	(2,426)	(2,165)
EBITDA	**21,116**	**5,109**
Provision reversals	1,614	1,665
Other income	12	8
Amortisation, depreciation and provisions	(3,155)	(1,312)
Other expenses	(285)	(139)
OPERATING INCOME	**19,303**	**5,331**
Financial income	8,379	12,736
Financial expense	(893)	(13)
INCOME BEFORE EXCEPTIONAL ITEMS	**26,789**	**18,054**
Exceptional income	6,719	4,704
Exceptional expense	(8,287)	(9,296)
NET EXCEPTIONAL INCOME/(EXPENSE)	**(1,568)**	**(4,592)**
Employee profit-sharing		
Income tax expense	156	249
NET INCOME	**25,377**	**13,711**
Gains or losses on asset disposals included in exceptional items:		
Proceeds from asset disposals	3	88
Net book value of assets sold	(73)	(13)
Capital gains or losses	(70)	75

Significant events in 2007 and subsequent events

The two major events of 2007 were the spectacular rise in lead prices and the Company's change of name.

Lead prices

The price of lead expressed in dollars almost doubled on average over the year from $1,287 per tonne in 2006 to $2,595 per tonne in 2007. However, the euro also appreciated against the dollar during the year, partly offsetting this increase. Expressed in euros, the price of lead rose by 83% from €1,024 to €1,882 per tonne.

Change of name

On July 16, 2007, the shareholders approved the Company's change of name from Metaleurop to Recylex, as proposed by the Board of Directors. This gives the Company and the Group a corporate identity consistent with its core business of battery recycling.

The Villefranche-sur-Saône plant successfully achieved ISO 14001 environmental certification.

The Recylex Group became the sole shareholder of the Norzinco group, following the acquisition by Delot Métal SA, a subsidiary of Recylex SA, of a 45% stake in Norzinco SA on March 8, 2007. The price paid was €3,402,000, in line with the price set out in the shareholders' agreement on Norzinco SA.

Lastly, battery volumes processed at the Villefranche-sur-Saône and Escaudœuvres plants increased by 6,500 tonnes compared with the previous year. As a result, over 94,000 tonnes of batteries were processed during 2007.

Two legal proceedings initiated during 2006 are still in progress.

The first case brought by former employees of Metaleurop Nord SAS is being heard by the Lens Labour Court:

(i) at the hearing before the industrial section on October 19, 2007, the case was sent to be heard by the judge with a casting vote owing to a split decision, with pleadings taking place on December 5, 2007. Judgement was reserved for June 27, 2008;

(ii) counsel's addresses to the management section were heard on January 2008: the decision is due to be handed down on September 30, 2008.

Each of the 585 plaintiffs is claiming payment of compensation of €30,000, plus €300 in expenses.

The liquidators of Metaleurop Nord SAS launched proceedings against Recylex SA for repayment of liabilities of Metaleurop Nord SAS up to €50 million. On February 27, 2007, the Béthune Regional Court ruling in commercial session dismissed the claims. The Court found on the merits of the case that Recylex SA was not the *de facto* director of Metaleurop Nord SAS. The plaintiffs have appealed the ruling. At the preparation date of this report, the timetable for the Douai Appeal Court hearing was not known.

It should be noted that these liquidators saw their application for the liquidation of Metaleurop Nord SAS to be extended to Recylex SA dismissed, since the *Cour de Cassation* and the Paris Appeal Court concluded there was no confusion between the asset base of the two companies.

Based on the progress of both proceedings at the preparation date of the financial statements, the Company did not deem it necessary to set aside any provisions in the financial statements at December 31, 2007.

Assuming an unfavourable outcome to these procedures for Recylex SA, execution of the continuation plan could be called into question.

Subsequent events

The correction in lead prices seen in late 2007 continued into early 2008, when prices slipped below $2,500 per ton.

In February, a fresh increase in raw materials prices, and particularly metals, pushed lead prices back above $3,000 per ton.

Recycled battery volumes for the first few months of 2008 were in line with budget.

Notes to the financial statements

of Recylex SA

These notes refer to the balance sheet and income statement for the twelve months from January 1, to December 31, 2007. The balance sheet is shown before appropriation of net income for the period and total assets amount to €127,237,367.14. The income statement shows net income for the period of €25,377,092.58.

The notes and tables below form an integral part of the financial statements for the twelve months from January 1, 2007 to December 31, 2007.

Amounts shown in the tables are expressed in thousands of euros.

SIGNIFICANT ACCOUNTING POLICIES

The Company's financial statements have been prepared in accordance with French generally accepted accounting principles (1999 *Plan comptable général*) and with the provisions of French law. These principles require that the financial statements are prepared prudently on the accrual basis of accounting, and on the assumption that the entity is a going concern.

Intangible assets

Software is amortised over its estimated useful life (one to five years).

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 concerned, as follows:

- industrial buildings 20 years;
- residential buildings 25 or 30 years;
- plant, equipment and tools 5 to 20 years;
- vehicles 4 or 5 years;
- furniture and furnishing 5 to 10 years;
- office and computer equipment 3 to 5 years.

Non-current financial assets

Financial assets are measured at cost. A provision for impairment is recognised if their fair value falls below cost. The fair value of equity investments is estimated on the basis of several criteria including the Company's share of the underlying net assets, operating risks and the strategic interest of the investment to the Group.

Provisions for impairment are recognised against receivables due from investee companies and loans based on the probability of non-recovery.

Inventories and work-in-progress

Inventories and work-in-progress are measured at average weighted cost (excluding interest on borrowings).

Provisions for impairment are recognised if the net realisable value of inventories at the year end, which is based mainly on metal prices, is lower than the average weighted cost.

Receivables

Receivables are measured at their face value. Provisions for impairment are recognised if their fair value falls below their carrying amount.

Marketable securities

Marketable securities comprise treasury shares measured at cost and short-term investments of excess cash.

A provision for impairment is recognised against treasury shares if their market price falls below cost.

Provisions for contigencies and charges

Provisions for contingencies and charges are measured in accordance with standard CBC 2000-06 of December 7, 2000 on liabilities. They mainly concern site remediation work, indemnities and allowances payable to employees under the early retirement plan for the mining industry, pensions, end-of-career allowances, long-service awards and other miscellaneous risks.

Provisions for end-of-career allowances and long-service awards are determined on the basis of length of service and the probability of the employee being employed by the Company upon retirement. They are calculated using the projected unit credit method, based on projected future salaries and benefits.

Provisions are recognised for identified risks at sites in operation, whenever there is a legal or regulatory obligation. Provisions for site remediation are recognised in respect of closed sites, in accordance with the legal requirements. 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, where these are available.

Translation adjustments

Expenses and income denominated in foreign currency are translated at the rate prevailing on the transaction date. Liabilities, assets and cash are translated at the year-end rate. Any resulting exchange differences are recognised in the balance sheet under the heading "Translation adjustments". Unrealised foreign exchange losses are provided for in full.

Notes to the balance sheet

Note 1. Property, plant and equipment and intangible assets

The carrying amount of property, plant and equipment and intangible assets fell by €525 thousand.

Capital expenditure for the year, on the Villefranche and Escaudœuvres plants, amounted to €1,233 thousand. Investment in the Suresnes operation amounted to €35 thousand. Asset disposals and retirements amounted to €11 thousand net, comprising a gross value of €1,525 thousand less €1,514 thousand in accumulated depreciation.

Gross

(In thousands of euros)	Gross at 01/01/2007	Additions: Acquisitions Production	Decreases: Disposals Retirements	Inter-item transfers	Gross at 12/31/2007
Intangible assets	3,560		84		**3,476**
Land	3,403	151	88	(295)	**3,172**
Buildings	7,996	484	732	332	**8,079**
Plant, equipment & tools	7,629	301	511	(289)	**7,130**
Other	1,586	276	110	314	**2,065**
Property, plant and equipment in progress	139	56		(61)	**133**
Advance payments	0				**0**
TOTAL	**24,313**	**1,268**	**1,525**	**0**	**24,055**

Statement of amortisation, depreciation and provisions

(In thousands of euros)	Accumulated amortisation, depreciation and provisions for impairment at 01/01/2007	Amortisation and depreciation: Increases: Straight-line charge for the period	Amortisation and depreciation: Decreases: Disposals and retirements	Amortisation and depreciation: Inter-item transfers	Impairment provisions: Increases: Charge	Impairment provisions: Decreases: Reversal	Accumulated amortisation, depreciation and provisions for impairment at 12/31/2007
Intangible assets	3,535		83				**3,452**
Land	878	13	88	(37)			**767**
Buildings	6,519	215	728	55			**6,060**
Plant, equipment & tools	5,639	317	505	(245)			**5,206**
Other	680	186	110	226			**982**
TOTAL	**17,250**	**732**	**1,514**	**0**	**0**	**0**	**16,468**

Note 2. Non-current financial assets

The net value of financial assets rose by €5,409 thousand, due principally to:

- subscription to a new share issue made by Delot Métal SA for an amount of €4,292 thousand, paid for by way of offset against a receivable due from Delot Métal SA for the same amount;
- increase in the receivable due from Delot Métal SA for an amount of €4,304 thousand;
- provision charge against Delot Métal SA shares for an amount of €884 thousand;
- reversal of the provision against the Delot Métal SA loan for an amount of €1,238 thousand;
- reversal of the provision against Fonderie & Manufacture de Métaux SA shares for an amount of €367 thousand.

Gross

		Increases	Decreases		Maturity	
(In thousands of euros)	Gross at 01/01/2007	Acquisitions	Disposals	Gross at 12/31/2007	Under one year	Over one year
Equity investments	**199,803**	4,495	22	**204,276**		204,276
Loans and advances to investee companies	**155,730**	4,304	4,346	**155,688**		155,688
Other long-term securities	**155**		29	**126**		126
Loans	**4**		4			
Other	**107**	300	38	**369**		369
TOTAL	**355,799**	**9,099**	**4,439**	**360,460**		**360,460**

Impairment provisions

		Increases		Decreases		
(In thousands of euros)	Provisions at 01/01/2007	Charge to financial provisions in the period	Charge to exceptional provisions in the period	Reversal of financial provisions in the period	Reversal of exceptional provisions in the period	Provisions at 12/31/2007
Equity investments	**134,531**		893	381		**135,043**
Loans and advances to investee companies	**151,868**			1,261		**150,608**
Other long-term securities	**114**					**114**
TOTAL	**286,514**		**893**	**1,642**		**285,765**

Value of property, plant and equipment and financial assets revalued in 1976

(In thousands of euros)	Revalued depreciation at 12/31/2007						
	Revalued property, plant and equipment		Depreciation margin used			Special provision or revaluation reserve at 12/31/2007	Depreciation margin used for assets sold during the period
	Gross value	Of which increase in value	Amount	During the period	Cumulative		
I – Property, plant and equipment							
1) Depreciable							
Revalued							
Land	121	29	121		29		
Buildings	3,565	1,231	3,565		1,231		
Plant, equipment & tools	456	77	456		77		
Other	16	3	16		3		
Sub-total	**4,159**	**1,341**	**4,159**	**0**	**1,341**	**0**	**0**
Not revalued	14,173		8,857				
Impairment losses							–
2) Non depreciable							
Revalued land	1,793	1,484				1,484	0
Not revalued	453						
TOTAL	**20,579**	**2,824**	**13,016**	**0**	**1,341**	**1,484**	
II – Non current financial assets							
Equity investments							
Revalued	33,872	9,940			9,940		0
Not revalued	170,404						
Sub-total	**204,276**	**9,940**	**0**	**0**	**9,940**	**0**	
Other long-term securities							
Not revalued	126						
TOTAL	**204,402**	**9,940**	**0**	**0**	**9,940**	**0**	

Note 3. Inventories and work-in-progress

(In thousands of euros)	12/31/2007	12/31/2006
Raw materials and other supplies	1,650	154
Finished and semi-finished goods	3,575	2,390
TOTAL	**5,225**	**2,544**
Impairment provisions		
NET TOTAL	**5,225**	**2,544**

The increase in inventories of raw materials was mainly due to an increase in volumes of batteries purchased in the final quarter, an increase in semi-finished goods due to growth in the volume of batteries processed and an increase in lead prices during the year.

Note 4. Current assets and prepaid expenses

(In thousands of euros)	12/31/2007	12/31/2006		
	Gross amount	Gross amount	Maturity of assets	
			Under one year	Over one year
Current assets				
Trade receivables	14,042	12,732	12,732	
Other receivables*	2,422	3,247	3,247	
Prepaid expenses	79	33	33	
TOTAL	**16,543**	**16,012**	**16,012**	

* Including €1,197 thousand in advance payments on orders.

Note 5. Loans and advances to officers and directors

None.

Note 6. Share capital

Share capital and share premiums

The share capital comprised 23,911,982 fully paid-up shares at December 31, 2007.

The Group owns 73,939 of its own shares. The average purchase price of the shares was €6.81.

At December 31, 2007, there were no employee share ownership or other similar plans.

	Number of shares	Nominal value €
Ordinary shares at December 31, 2006	23,736,382	3.81
Ordinary shares at December 31, 2007	23,911,982	2.00

Ordinary shares in issue and fully paid-up	Number of shares	Nominal value €	Share capital € 000s	Share premiums € 000s
At January 1, 2007	23,736,382	3.81	90,465	6,300
Issuance of shares following exercise of stock options prior to July 16, 2007	155,000	3.81	591	342
At July 16, 2007	23,891,382	3.81	91,055	–
Reduction in share capital on July 16, 2007		1.81	(43,273)	(6,300)
Share capital after capital reduction	23,891,382	2.00	47,783	0
Issuance of shares following exercise of stock options between July 17, 2007 and December 31, 2007	20,600	2.00	41	67
AT DECEMBER 31, 2007	**23,911,982**	**2.00**	**47,824**	**409**

At the Annual General Meeting on July 16, 2007, shareholders decided to reduce the nominal value of all existing shares to €2. The reduction in the share capital through a reduction in the nominal value of shares to €2 affected 23,736,382 shares, while the number of shares outstanding at July 16, 2007, taking into account the 155,000 options exercised up to July 16, 2007, stood at 23,891,382. The share capital was thus reduced by €43,273 thousand, rather than €42,992 thousand, thereby cutting the share capital from €91,055 thousand to €47,783 thousand. Since not all the shares were taken into account on July 16, 2007, a resolution for approval of the full amount of the capital reduction to €43,273 thousand will be submitted at the Annual General Meeting called to approve the 2007 financial statements.

The share capital was increased from €47,783 thousand to €47,824 thousand through the issuance of 20,600 shares between July 17, 2007 and December 31, 2007 following the exercise of options.

Treasury shares

	12/31/2007	12/31/2006
Number of treasury shares	73,939	73,939
Value of treasury shares held – In thousands of euros	504	504

Treasury shares are measured at their historical cost of €504 thousand.

Statement of changes in equity

Changes in equity:

(In thousands of euros)	12/31/2007	12/31/2006
1. Equity at the previous year's close before appropriation of earnings	28,231	(3,061)
2. Transfer of previous years' earnings to retained earnings	13,711	29,306
3. Opening equity	**41,942**	**26,245**
Changes during the period:		
01. Change in share capital	(42,641)	1,500
02. Change in share premiums, reserves and retained earnings		
• Reduction	(10,170)	0
• Increase	53,852	141
03. Charge to provision for excess tax depreciation	33	344
04. Investment grants	0	0
05. Reversal of revaluation reserve	0	0
06. Reversal of special revaluation provision	0	0
Closing equity before net income for the period	**43,016**	**28,231**
NET INCOME FOR THE PERIOD	**25,377**	**13,711**
Closing equity including net income but before appropriation	**68,393**	**41,942**

Stock options on Recylex SA shares

Authorisation given by the shareholders at their Extraordinary General Meeting of June 26, 1995 and Annual General Meeting of March 30, 2000 to grant stock options up to a maximum of 6% of the share capital.

Options granted by the Management Board or Board of Directors	04/23/1998	04/26/1999	09/06/1999	05/03/2000	09/20/2002	11/04/2002	Total
Number of options granted	361,000	544,500	37,000	253,900	273,650	300,000	1,770,050
Number of options outstanding at 12/31/2006	87,800	103,000	–	91,000	93,500	60,000	435,300
Option rights reinstated during 2007	30,500	35,000	–	8,000		–	73,500
Number of options exercised in 2007	36,900	19,000	–	34,100	25,600	60,000	175,600
Number of options outstanding at 12/31/2007 (representing a total of 1.39% of the share capital)	81,400	119,000	–	64,900	67,900	–	333,200
Number of optionees at inception	79	104	4	94	96	1	
Number of optionees at 12/31/2007	17	21	–	24	28	–	
Exercise price (€)	10.13	5.30	5.30	7.50	2.21	2.21	
Exercise date							
Earliest	04/23/2003	04/26/2004	09/06/2004	05/03/2004	09/20/2006	11/04/2002 (75,000 options))	
						07/01/2003 (75,000 options)	
						07/01/2004 (75,000 options)	
						07/01/2005 (75,000 options)	
Latest	04/22/2008	04/25/2009	09/05/2009	05/02/2010	09/20/2012	11/04/2012	

The maximum number of shares that may be issued is 333,200.

With regard to the stock options granted in September and November 2002 and exercised by July 16, 2007, when the share capital was reduced through a reduction in the nominal value to €2, the Company had to contend with a legal problem insofar as the nominal value of Recylex shares (€3.81) at the exercise date of the options was higher than the exercise price of the options (i.e. €2.21). To pay up the shares in full, the Company covered the difference between the nominal value of the shares and the exercise price of the options, recognising an exceptional expense of €121,693.14 in respect of options exercised prior to July 16, 2007.

Diluted earnings per share

	12/31/2007	12/31/2006
Net income attributable to holders of ordinary shares	25,377,093	13,710,771
Weighted average number of ordinary shares used to calculate basic earnings per share	23,864,801	23,736,382
Impact of dilution:		
Stock options	380,381	435,300
Weighted average number of ordinary shares adjusted to calculate diluted earnings per share	24,245,182	24,171,682
DILUTED EARNINGS PER SHARE	**1.05**	**0.57**

Ownership structure

As required by article L. 233-13 of the French Commercial Code, the table below shows those shareholders owning over 5% of the Company's share capital and the associated voting rights at December 31, 2007:

	At 12/31/2007	
	Shares	Voting rights
Glencore	32.22%	32.29%

On March 29, 2007, Amiral Gestion went above the 5% disclosure threshold to 5.46% of the share capital and on June 1, 2007 fell back below the threshold to 4.71%.

On July 31, 2007, Morgan Stanley went above the 5% disclosure threshold to 5.02% and on August 8, 2007 fell back below the threshold to 4.92%. On September 27, 2007, JPMorgan Asset Management went above the 5% disclosure threshold to 5.04% and on October 29, 2007 fell back below the threshold to 4.70%.

Share performance

	2007	2006
High	32.44	11.71
Low	8.70	3.30
Share price on the closing date	15.49	8.88
MARKET CAPITALISATION ON THE CLOSING DATE (in millions of euros)	**370.4**	**210.8**

During 2007, the shares touched a low of €8.70 on January 22, 2007 and a high of €32.44 on July 20, 2007.

Note 7. Provisions (other than against non-current assets)

Provisions for contingencies and charges and impairment provisions fell by €4,734,000 and €205,000 respectively.

Statement of provisions

		Increases	Decreases			
			Reversals during the period			
(In thousands of euros)	Provisions at 12/31/2006	Charge for the period	Utilised	Not utilised	Reclassifications during the period	Provisions at 12/31/2007
Provisions for contingencies and charges						
Environmental costs	21,870	2,866	1,861		79	22,954
Restructuring of industrial sites	1,040	50	291	312	23	511
Pension liabilities	442		41			401
Other	6,835	150	5,229	66	(102)	1,588
Sub-total	**30,187**	**3,066**	**7,421**	**378**		**25,453**
Provisions for impairment						
Trade receivables	3,577	3	168	20		3,392
Other	76			20		56
Sub-total	**3,654**	**3**	**168**	**40**	**0**	**3,449**
TOTAL	**33,840**	**3,069**	**7,589**	**418**	**0**	**28,902**
Provision charges and reversals						
• Operating provisions		2,423	1,574	40		
• Financial provisions						
• Exceptional provisions		646	6,015	378		

The increase in environmental provisions is mainly due to a new assessment of the remediation work required on several old mines. The sharp decrease in other provisions for contingencies and charges derives mainly from the reclassification of two claims declared by Metaleurop Nord's suppliers as rescheduled liabilities pursuant to the continuation plan.

At December 31 2007, to the best of our knowledge, Recylex SA was not involved in any other legal proceedings, the impact of which has not been assessed.

Note 8. Liabilities

Financial liabilities fell by €9,846 thousand, mainly as a result of the second dividend payment under the continuation plan.

Statement of liabilities

(In thousands of euros)	Amount at 12/31/2006	Amount at 12/31/2007	Maturity of liabilities – Due date: Under one year	One to five years	Over five years	Of which collateralised liabilities[1]	Of which accrued expenses	Of which liabilities rescheduled under the continuation plan
Financial liabilities								
Bank borrowings:								
• Under two years at inception								
• Over two years at inception	1,021	143	12	62	68			143
Other borrowings and financial liabilities	21,651	12,683	1,103	5,515	6,066	2,150		12,683
TOTAL	**22,672**	**12,826**	**1,115**	**5,577**	**6,134**	**2,150**		**12,826**

(1) See note 16 for information on collateral.

Operating liabilities								
Trade payables	4,405	6,802	5,650	549	604		1,963	1,265
Tax and employee-related liabilities	1,461	1,950	1,137	387	426		811	891
Liabilities to suppliers of non-current assets	42							
Other liabilities	7,951	11,813	1,304	5,004	5,504			11,517
TOTAL	**13,860**	**20,565**	**8,091**	**5,940**	**6,534**		**2,774**	**13,673**

At December 31, 2007, other liabilities comprised €44 thousand of prepaid income.

Note 9. Information relating to several balance sheet items

(In thousands of euros)	Total	Concerning related companies	Liabilities or assets represented by trade bills
Assets (net of any recognised provisions)			
Equity investments	69,233	64,165	
Loans and advances to investee companies*	5,080	5,080	
Loans			
Other long-term securities	12		
Other non-current financial assets	369		
Advance payments on orders	1,197		
Trade receivables**	9,340	9,287	
Other receivables	1,993	1,272	
Marketable securities	3,681		
Cash	23,486		
Liabilities			
Bond issue			
Bank borrowings	143		
Other financial liabilities	12,683		
Trade payables	6,802	713	
Tax and employee-related liabilities	1,950		
Amounts due to suppliers of non-current assets			
Other liabilities***	11,813	5,866	

* Including accrued income: 0.

** Including accrued income: €1.8 thousand.

*** Including prepaid income: €44 thousand.

Notes to the income statement

Note 10. Sales

Sales break down as follows:

(In thousands of euros)	2007	2006
By business segment		
Production plants	83,001	36,153
Wholesaling		67
Other	296	658
TOTAL	**83,296**	**36,878**

(In thousands of euros)	2007	2006
By geographical segment		
France	2,432	2,067
International	80,864	34,811
TOTAL	**83,296**	**36,878**

Note 11. Directors' fees

Directors' fees allocated by the Company to members of the Board of Directors: €532,830.

Note 12. Exceptional income and expense

The exceptional loss of €1,568 thousand mainly comprises:

- €5,208 thousand of contingency provisions included in the continuation plan reclassified during the year as other liabilities and employee-related liabilities as they have become payable. This reclassification had no impact on net exceptional income or expense;
- €1,408 thousand of additional remediation costs for the l'Estaque site;
- €446 thousand of provisions for remediation costs at l'Estaque;
- a loss of €122 thousand on the issuance of shares in respect of the September 20, 2002 and November 4, 2002 stock option plans.

(In thousands of euros)	2007	2006
Net exceptional gains on operating activities	(7,126)	(1,279)
TOTAL	**(7,126)**	**(1,279)**
Capital gains/losses		
• Disposal of equity investments and other long-term securities	(59)	0
• Disposal of property, plant and equipment and intangible assets	(11)	75
• Other	(122)	(497)
TOTAL	**(192)**	**(423)**
Net provision charge/reversal		
• Excess tax depreciation, special provision and revaluation reserve	(33)	(344)
• Provisions for securities and other risks	5,783	(2,546)
• Provisions for impairment of advances and trade receivables		
TOTAL	**5,750**	**(2,890)**
NET EXCEPTIONAL INCOME/(EXPENSE)	**(1,568)**	**(4,592)**

Note 13. Transaction costs included in purchases

Purchases of raw materials include transportation, transportation insurance and freight commission expenses in the sum of €2,185 thousand.

Note 14. Financial income and expense concerning related companies

(In thousands of euros)	Total	Concerning related companies
Financial income		
From equity investments	5,547	547
From other securities and non-current receivables	445	444
Other interest and similar income	782	
Foreign exchange gains		
Provision reversals	1,606	1,606
TOTAL	**8,379**	**2,597**
Financial expense		
Provision charges	893	884
Interest and similar expense		
Foreign exchange losses		
TOTAL	**893**	**884**

Other informations

Note 15. Employees

	Unskilled	Clerical, technical and supervisory	Manage-ment	Total 2007	Total 2006
Employees of the Company					
• Full presence throughout the year	10	12	6	28	27
• Presence for less than the full year		1	1	2	1
TOTAL	**10**	**13**	**7**	**30**	**28**

At January 1, 2008, these employees had accumulated a total of 1,611.35 hours of continuous training rights (DIF). No training in respect of those rights was claimed in 2007.

Note 16. Other off-balance sheet commitments

Commitments given

(In thousands of euros)	12/31/2007	12/31/2006
Guarantees and similar	2,150	2,244
Forward currency purchases and sales	–	–
TOTAL	**2,150**	**2,244**

Commitments received

(In thousands of euros)	12/31/2007	12/31/2006
Guarantees and similar	–	–
Forward currency purchases and sales	–	–
TOTAL	**0**	**0**

The mortgage over the l'Estaque land granted to the French Water Agency was maintained under the continuation plan. On the preparation date of this report, the amount of debts waived under option "1" with clawback provision amounted to €19,210 thousand.

Note 17. Leasing

There were no leasing contracts outstanding at the year end.

Note 18. Deferred tax assets and liabilities

Temporary differences between tax treatment and accounting treatment

(In thousands of euros)	Amount
Deferred tax liabilities:	
Excess tax depreciation on property, plant and equipment and intangible assets	(516)
Deferred tax assets:	
Provisions not deductible in the year of recognition:	
• Provision for long-service awards	90
• Provision for staff indemnities and allowances	436
• Provision for various charges	20,938
• Provision for various contingencies	991
• Provision for impairment of non-current financial assets	
• Provision for loans and advances to investee companies and other non-current financial assets	285,765
Accrued expenses not deductible in the year of recognition	148
TOTAL	**307,852**

Recylex SA tax loss carryforwards

At 33.33%	• Deferred depreciation allowances	
At 19%	• Long-term capital losses	

Deficits of the entire tax consolidation Group

	• Evergreen tax loss carryforwards	98,763
At 8%	• Long-term capital losses	

Note 19. Group tax relief

On October 1, 1994, the Company elected for Group tax relief. The tax Group included the following subsidiaries in 2007: Recylex Commercial SAS, C2P SAS and Delot Métal SA.

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.

Note 20. List of subsidiaries and equity investments at December 31, 2007

(In thousands of euros)	Share capital	Other equity	% interest
1. Subsidiaries (interest of more than 50%)			
METALEUROP NORD SAS, FRANCE (in liquidation)	16,769	N/A	100.00
RECYLEX COMMERCIAL SAS, FRANCE	152	255	100.00
C2P SAS, FRANCE	900	2,498	100.00
DELOT MÉTAL SA, FRANCE	999	2,409	100.00
RECYLEX GmbH, GERMANY	25,565	17,535	100.00
FONDERIE & MANUFACTURE DE MÉTAUX SA, BELGIUM	475	4,083	100.00
2. Equity investments (interest of less than 50%)			
RECYTECH SA, FRANCE	6,240	19,888	50.00
3. Aggregate data for other subsidiaries and equity investments			
• Subsidiaries			
• Equity investments			

NOTE 21. Liabilities rescheduled under the continuation plan

Following Recylex SA's declaration of cessation of payments on October 21, 2003 and the commencement of recovery proceedings on November 13, 2003, the Company's outstanding liabilities were frozen at that date.

In 2005, following the continuation plan agreed by the Paris Commercial Court, these liabilities were rescheduled in accordance with the two options set out in the continuation plan:

- **Option 1:** Repayment of 50% of the liability, without interest, over a two-year period, with 25% due on the first anniversary date of adoption of the continuation plan and 25% on the second anniversary date. Waiver of the remainder of the liability subject to a clawback provision. This clause provides that from and including December 31, 2015, the Company 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;
- **Option 2:** Repayment of 100% of the liability, without interest, over a ten-year period:
  - 4% of the liability on the 1st anniversary date of adoption of the continuation plan;
  - 4% of the liability on the 2nd anniversary date of adoption of the continuation plan;
  - 8% of the liability on the 3rd anniversary date of adoption of the continuation plan;
  - 8% of the liability on the 4th anniversary date of adoption of the continuation plan;
  - 10% of the liability on the 5th anniversary date of adoption of the continuation plan;
  - 10% of the liability on the 6th anniversary date of adoption of the continuation plan;
  - 12% of the liability on the 7th anniversary date of adoption of the continuation plan;
  - 12% of the liability on the 8th anniversary date of adoption of the continuation plan;
  - 16% of the liability on the 9th anniversary date of adoption of the continuation plan;
  - 16% of the liability on the 10th anniversary date of adoption of the continuation plan.

Net book value of interest		Loans and advances granted by the Company		Guarantees given by the Company	Revenue in the latest financial year	Earnings (income or loss) in the latest financial year	Dividends received by the Company
Gross	Net	Gross	Net				
59,511	0	130,254	0		N/A	N/A	
152	152	0	0		646	239	297
1,708	1,708	22	22		11,259	365	
44,756	3,408	3,974	3,974		0	354	
56,976	56,976	0,	0,		1,282	16,062	
1,867	1,867	0,	0,		44,106	2,319	250
4,865	4,865	0,	0,		34,244	12,569	5,000
34,238	53	22,710	2,356				
203	203	0	0				

Balance sheet analysis of liabilities rescheduled under the continuation plan:

Analysis of rescheduled liabilities (In thousands of euros)	12/31/2007	12/31/2006
Provisions for contingencies and charges	486	5,695
Bank borrowings	143	178
Miscellaneous financial liabilities (including accrued interest)	12,683	22,494
Trade payables	1,265	1,438
Tax and employee-related liabilities	891	603
Miscellaneous liabilities	11,517	7,528
Liabilities rescheduled under the continuation plan	26,985	37,936

Analysis by maturity of liabilities rescheduled under the continuation plan:

Rescheduled liabilities (by maturity) (In thousands of euros)	12/31/2007			
	Under one year	1 to 5 years	Over 5 years	Total
Rescheduled liabilities	2,392	11,711	12,882	26,985

Note 22. Environmental information

General presentation

In France, the Recylex Group directly operates three plants classified under environmental protection legislation, namely the Villefranche-sur-Saône (Rhône), and Escaudœuvres (Nord) facilities, and the closed site at l'Estaque-Marseille (Bouches-du-Rhône). Through its subsidiaries, it operates two other plants, namely Norzinco at Anzin (Nord) and Recytech at Fouquières-lès-Lens (Pas-de-Calais).

Formed in 1988 from the merger between Société Minière et Métallurgique de Penarroya (SMMP) and the non-ferrous metals division of German group Preussag, the Group assumed responsibility for thirty or so mining concessions in France, two of which were still being operated at the time. Recylex defined a programme of securing its mining concessions, which was validated and kept updated with the French Industry Ministry and local authorities. The objective is to have finalised all renouncements at year-end 2010.

Environmental management covers all active and closed sites in accordance with the Environment Charter of 1995 and the Environmental Policy defined in 1998.

Former mines and concessions

The procedure for abandoning work at mining concessions depends on the Mining Code legislation. The operator has to perform work to ensure a sustainable closure of tunnels, as well as making safe the surface facilities, such as buildings, the various installations required for mining activities and former mine waste storage areas. The risk of mining waters, which may contain pollutants, impacting the natural environment is also taken into account. As a result, three former mines have been equipped with water processing installations prior to discharge.

The aggregate amount of provisions covering the entire former mining site remediation programme came to €5,728 thousand at December 31, 2007.

The valuation method adopted for amounts requiring provisioning consisted in preparing budget projections with several specialised research offices. Following these studies, the Group bases its assessments on quotes received after consultations with subcontractors to refine its projections.

During the 2007 financial year, an assessment of the additional work required at several mining facilities and the inclusion of an additional year of recurring costs drove up projected costs by around €2,420 thousand. During the year, the cost of work performed amounted to €1,864 thousand, an increase of 21% over 2006 costs, in respect of closure costs for the Peyrebrune (Tarn), Trèves (Gard), Arrens and Pierrefitte (Hautes-Pyrénées) concessions and management of water treatment facilities.

L'Estaque

Operation of the l'Estaque facility was halted in February 2001. The impact on the local environment was caused by metallurgical waste and demolition waste, which will have to be stored in covered landfills built on-site. Meteoric waters permeating the unprotected former waste facilities are contaminated with toxic elements, notably including arsenic. Some of the rain water is recovered and processed, but the remainder pollutes the ground water. Elimination of all the surface waste will help to prevent this spread of pollution.

A prefectoral order issued in 2002 defines the rehabilitation programme for the site and lays down quality targets for the soil after treatment and technical recommendations concerning the construction of waste storage, which must be unique, but common to a second industry operator with land adjacent to ours. A firm offer for the storage facility construction project was received in 2000 from the neighbouring industry operator, but the contract has now been challenged by this operator. Several legal proceedings concerning the validity of this contract are currently in progress.

The aggregate amount of provisions covering the l'Estaque site rehabilitation programme came to €17,225 thousand at December 31, 2007. The Company called in a specialised research firm to assess the amount budgeted in respect of the rehabilitation project. This assessment is a regulatory obligation when operations are halted at an installation classified for environmental protection purposes and was sent to the authorities. The amount of the assessment was validated by another evaluation conducted in 2004.

During the 2007 financial year, the work performed cost €1,862 thousand, of which €402 thousand comprised recurring costs. The work included land outside the production site, which was used as a storage area for various types of industrial waste at the beginning of the last century. This work was not included in the aggregate cost of plant rehabilitation and will be completed during the first quarter of 2008, requiring an additional provision of €446 thousand.

Other provisions for active sites

This item concerns only the Villefranche-sur-Saône plant for an amount of €186 thousand, covering the potential consequences of public utility easements (*servitudes d'utilité publique*) created around the site in November 2005.

Contingent liabilities

A specialised engineering firm was asked to assess the site remediation costs at Recylex SA's sites in the event of the discontinuation of their activities. The estimate takes into account the dismantling and controlled disposal of the industrial installations, full cleaning of the buildings, and soil remediation in the scenarios of both the confinement of polluted soil on-site or its controlled transfer to a landfill site.

For both battery breaker sites (Escaudœuvres and Villefranche-sur-Saône), the estimated cost of the work varies between €6,000,000 and €8,500,000, but for the time being there are no regulatory obligations requiring the Group to set aside provision for these costs.

With regard to the Saint-Laurent-le-Minier mining site, the French Environment Ministry has launched an epidemiological investigation, at its own expense, during 2008 and 2009 to assess the health impact of soil naturally containing lead and zinc, at levels that are equivalent or even higher than the zones polluted by mining activity. These studies could lead to a request for additional work.

A French administrative court issued a ruling in 2007 stating that Recylex SA is liable for securing a former mining waste storage facility at Saint-Sébastien-d'Aigrefeuille in the Gard department of southern France. Recylex SA immediately appealed this ruling. At present, the main issue at stake is implementation of a surveillance system, but it could eventually require major works, should subsidence occur affecting the facility's stability.

Recylex SA owns land and buildings that belonged to the former Penox activity in Rieux. The operator has sent the authorities and Recylex SA all the studies related to the planned discontinuation of its activities. There are no health-related consequences outside the plant, and industrial use of the site interior has already been approved. The results of the authorities audit are expected to be published during the first half of 2008. Recylex SA wishes to sell this industrial site, and several companies have already expressed an interest.

Other information

Environmental spending at the Villefranche and Escaudœuvres plants amounted to around €702 thousand.

Environmental investment totalled €1,000 thousand, primarily comprising the purchase of rust-proof skips and the modernisation of installations to reduce pollution, such as dust from production lines and repairs to floor coverings and drains.

The Villefranche plant obtained ISO 14001 certification in December 2007.

During 2007, Recylex SA was not involved in any legal proceedings leading to fines for non-compliance with its regulatory obligations. At one mining site, a court order to make a payment of €39 thousand for a study of the stability of the mining waste restraining wall was taken by the prefect. The study was sent to the authorities in June 2006, and the procedure is likely to be abandoned very shortly. Recylex SA was not granted any public environmental funds or subsidies in 2007.

Share capital, other equity instruments, results and other information

for the past five financial years

Amounts in euros	2003	2004	2005	2006	2007
I. Share capital and other equity instruments at the year end					
Share capital	88,964,224	88,964,224	88,964,224	90,464,703	47,823,964
Number of ordinary shares in issue	23,342,682	23,342,682	23,342,682	23,736,382	23,911,982
Number of preferred shares in issue					
Maximum number of shares that may be issued in the future					
• By conversion of bonds					
• By exercise of stock options	384,800	322,300	770,300	435,300	333,200
II. Operations and results for the year					
Sales excluding tax	19,493,860	24,755,543	26,360,284	36,878,148	83,296,157
Earnings before tax, employee profit-sharing, depreciation, amortisation and provisions	24,686,870	1,683,470	24,364,820	4,455,463	20,298,869
Income tax	640,367	90,000	172,500	(248,610)	(155,714)
Employee profit-sharing in respect of the financial year					
Earnings after tax, employee profit-sharing, depreciation, amortisation and provisions	19,307,362	6,300,267	29,305,974	13,710,771	25,377,093
Dividend payout					
III. Earnings per share					
Earnings after tax, employee profit-sharing, but before depreciation, amortisation and provisions	1.06	0.07	1.04	0.19	0.86
Earnings after tax, employee profit-sharing, depreciation, amortisation and provisions	0.83	0.27	1.26	0.58	1.06
Net dividend per share					
IV. Employees					
Average number of employees during the year	50	27	25	28	30
Total payroll for the year	2,033,841	1,094,874	1,226,565	1,507,835	1,730,192
Amount of benefits paid in the year (social security, social welfare, etc.)	1,249,795	562,721	549,392	657,036	695,416

Inventory of securities held

at December 31, 2007

Long-term investments and marketable securities

(In thousands of euros)	Net carrying amount
Issuing Company	
I. Subsidiaries & equity investments	
A) Foreign	
Recylex GmbH	56,976
Fonderie et Manufacture de Métaux SA	1,867
Other	203
Sub-total	**59,047**
B) French	
Metaleurop Nord SAS	0
Recylex Commercial SAS	152
Recytech SA	4,865
C2P SAS	1,708
Delot Métal SA	3,408
Other	53
	10,186
TOTAL SUBSIDIARIES & EQUITY INVESTMENTS	**69,233**
II. Other long-term securities and marketable securities	
Long-term securities	12
Treasury shares	504
Other marketable securities	3,177
TOTAL OTHER LONG-TERM SECURITIES AND MARKETABLE SECURITIES	**3,693**
TOTAL SECURITIES	**72,926**

Appropiation of earnings

(In thousands of euros)	
Appropriation of earnings	
1. Net income for the period	25,377
of which income on ordinary activities after tax	26,945
2. Transfer to retained earnings	24,502
3. Transfer to statutory reserve	875

Statutory Auditors' report on the financial statements

Year ended December 31, 2007

To the Shareholders,

Following our appointment as statutory auditors by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2007, on:

- the audit of the accompanying financial statements of Recylex SA (formerly Metaleurop SA);
- the justification of our assessments;
- the specific verifications and disclosures required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the Company's financial position and its assets and liabilities, as of December 31, 2007, and the results of its operations for the year then ended, in accordance with the accounting rules and principles applicable in France.

Without qualifying the opinion expressed above, we draw your attention to the uncertainties set out in note V to the financial statements relating to two lawsuits that are still in progress at year end:

- The liquidators of Metaleurop Nord SAS have filed a claim against Recylex SA for repayment of liabilities of Metaleurop Nord SAS up to €50 million. The Regional Court (*Tribunal de Grande Instance*) of Béthune, acting in accordance with Commercial Court procedure, rejected this claim. The liquidators appealed this ruling. To date, the proceedings schedule of the Douai Court of Appeal has not been determined yet;
- 585 former employees of Metaleurop Nord SAS are claiming an indemnity of €30,000 plus €300 in expenses before the Lens Labour Court. Decisions concerning non-executive employees and executive employees are expected to be handed down respectively on June 27, 2008 and September 30, 2008 following the hearings which took place respectively on December 5, 2007 and January 29, 2008.

Given the statement of progress of these two lawsuits at the financial statements closing date, the Company did not record any provision in this respect in the financial statements for the year ended December 31, 2007.

Should these two lawsuits had a negative outcome for Recylex SA, this could jeopardize the continuation plan.

2. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Law (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

• Going concern

Based on our work and on the information communicated to us to date, and as part of our assessment of the accounting policies adopted by your Company, we believe that the notes to the financial statements provide appropriate information regarding the aforementioned uncertainty over the Company's ability to continue as a going concern.

• Provisions

As specified in notes VI "Accounting principles and methods" and VI-7 to the financial statements, your company records provisions to cover various risks. Based on the information available at the time of our audit work, we assessed the data and assumptions used; we reviewed the methods applied in implementing these provisions, as well as the management approval process of these estimates. We ensured that the disclosures relating to the above-mentioned provisions provided in the notes to the financial statements as at December 31, 2007 are appropriate.

• Financial assets

As described in the note to the financial statements on accounting principles and methods, the Company estimates the value of its financial assets on a yearly basis. We assessed the data and assumptions used and we examined the management approval process of these estimates. On these basis, we ensured that the estimates made by the Company are reasonable.

These assessments were made in the context of our audit of the financial statements, taken as a whole, and therefore contributed to the unqualified opinion we formed which is expressed in the first part of this report.

3. Specific verifications and information

We have also performed the specific verifications required by law in accordance with professional standards applicable in France.

We have no matters to report regarding:

- 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 documents addressed to the shareholders with respect to the financial position and the financial statements, except for the effect of the matters referred above, if any;
- the fair presentation of the information given in the management report of the Board of Directors in respect of remunerations and benefits granted to the relevant directors and any commitments given to them in connection with, or after, their appointment, termination or change in function.

In accordance with French law, we ascertained that the information relating to the identity of shareholders was given in the management report of the Board of Directors.

The Statutory Auditors

Paris-La Défense and Neuilly-sur-Seine, March 31, 2008

KPMG Audit
Division of KPMG SA

Catherine Porta
Partner

Deloitte & Associés

Albert Aïdan
Partner

Statutory Auditors' special report

on regulated agreements and commitments with related parties

Year ended December 31, 2007

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report to you on regulated agreements and commitments with related parties.

Agreements and commitments authorized during the year and until March 18, 2008

Pursuant to article L. 225-40 of the French Commercial Code (*Code de commerce*), the following agreements and commitments, previously authorized by your Board of Directors, have been brought to our attention.

The terms of our engagement do not require us to identify such other agreements and commitments, if any, but to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention, without expressing an opinion on their usefulness and appropriateness. It is your responsibility, pursuant to article R. 225-31 of the French Commercial Code, to assess the interest involved in respect of the conclusion of these agreements and commitments for the purpose of approving them.

Remuneration of Mr. Yves Roche, Chairman and CEO

The variable portion of the remuneration paid to Mr. Yves Roche with respect to his corporate mandate shall be determined each year by the Board of Directors based on qualitative objectives set by the Remuneration and Appointments Committee.

This agreement was approved by your Board of Directors on March 18, 2008.

Compensation for Mr. Yves Roche should he be discharged from his duties as CEO following a major change in share ownership

Compensation shall be paid to Mr. Yves Roche should he be discharged from his duties as CEO of Recylex SA (for a reason other than a blatant violation of his obligations as a Company officer or resignation of his duties as CEO of Recylex SA) due to significant changes in his responsibilities as CEO of Recylex SA, 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).

- A major change in share ownership is understood as one or more persons acting alone or in concert within the meaning of article L. 233-10, I of the French Commercial Code, other than the Glencore group, holding more than 25% of the share capital and voting rights of Recylex SA, provided that no shareholder, including the Glencore group, holds a greater interest. In the event of a public offer for the shares of Recylex SA, the major change in share ownership shall be deemed to occur on the date the results of the public offer are published.
- The compensation's payment is subject to the following cumulative performance conditions:
  - the active and constructive involvement of management, and specifically the CEO, in all work preliminary to a restructuring of the share ownership (such as preparation of a data room, participation in meetings with a potential principal shareholder, participation in the preparation of a business plan, etc.), in accordance with specific obligations for listed companies; in the event of a public offer for the shares of Recylex SA, this will include participation in the preparation of all documents relating to Recylex SA 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, the 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 will 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.

- This compensation may not be drawn concurrently with all other compensations (legal, professional, contractual or retirement) to which Mr. Yves Roche could be entitled in connection with the termination of his duties as Company CEO.

Opening of a line of credit granted by Recylex SA to Norzinco SA

Nature and purpose:

Your Company approved the opening of a line of credit for a maximum amount of €2 million for Norzinco SA. Its remuneration is calculated based on the three-month Euribor plus 0.75 basis points.

The agreement is secured by a pledge of the shares held by Norzinco SA in Norzinco GmbH and was approved by the Board of Directors on May 30, 2007.

Terms and conditions:

The balance of the current account stood at €1,250,000 as at December 31, 2007. The interest income recorded by your Company for 2007 amounted to €3,419.59. Discussions are underway to define the terms and conditions of the loan's repayment.

Agreements and commitments approved in previous years with continuing effect during the year

Furthermore, pursuant to the French Commercial Code, we have been informed that the performance of the following agreements and commitments, approved in previous fiscal years, continued during the year.

Pledge of Recylex GmbH shares held by Recylex SA

To secure the repayment of a line of credit granted by Glencore International AG, your Board of Directors, during its meeting of September 20, 2002, authorised the first ranking pledge of the Recylex GmbH shares held by Recylex SA in favour of Glencore AG. The line of credit has been repaid, but the pledge is maintained since the interest and expenses have yet to be settled.

Set-up of current account agreement between Recylex SA and Norzinco SA

Nature and purpose:

On October 15, 2002, your Company granted a current account advance to Norzinco SA for €1,105,785.19. Its remuneration is calculated based on the three-month Euribor plus 0.75 basis points.

This agreement was approved by your Board of Directors on March 11, 2003.

Terms and conditions:

The balance of the loan amounts to €1,105,785.19 at December 31, 2007. The interest income recorded by your Company for 2007 amounted to €55,602.42. Discussions are underway to define the terms and conditions of the loan's repayment.

Line of credit made available by Glencore International AG

Nature and purpose:

On April 8, 2003, your Board of Directors authorised the opening of a line of credit for your Company on the part of Glencore International AG.

Terms and conditions:

This line of credit, which is available as of April 29, 2003 and can be used until August 29, 2003, is capped at €12,000,000. The remuneration of this advance is set at the one-month Euribor plus 1 basis point.

The amount reported to the creditors' representative totalled €11,000,000, to which is added capitalised interest for €137,516.62.

Following your Company's implementation of the business continuity plan, this debt no longer bears interest and will be repaid over a ten-year period based on the terms and conditions stipulated in the plan. Accordingly, following payment of the plan's first two instalments, Recylex SA has repaid the sum of €891,001.32 bringing the debt's balance to €10,246,515.30 as at December 31, 2007.

We conducted our procedures in accordance with professional standards applicable in France. Those standards require that we agree the information provided to us with the relevant source documents.

The Statutory Auditors

Paris-La Défense and Neuilly-sur-Seine, March 31, 2008

KPMG Audit
Division of KPMG SA

Catherine Porta
Partner

Deloitte & Associés

Albert Aïdan
Partner

List of agreements

entered into by Recylex SA (hereinafter the "Company") relating to current operations entered into under normal terms and conditions during the fiscal year closed as at December 31, 2007 or the execution of which was carried on during such fiscal year

1. Commercial cooperation agreements

Purchase of raw materials by the Company to:

- Fonderie et Manufacture des Métaux

Supplies of raw materials from the Company to the following subsidiaries :

- Weser Metall GmbH
- C2P SAS

Commissions paid to Recylex Commercial SAS for services relating to purchase and sale of products carried out in the name and on behalf of the Company in accordance with commercial agency agreements.

2. General support services agreement

the Company invoices part of the central services provided to the following subsidiaries:

- Recylex Commercial SAS, C2P SAS
- Weser Metall GmbH, Harz Metall GmbH, C2P GmbH, PPM PureMetals GmbH, Recylex GmbH
- Fonderie et Manufacture des Métaux SA

3. Lease agreements

Lease of lands and industrial buildings located in Rieux (60) owned by the Company to the Company PENOX S.A.

Sub-letting of part of the premises located at 79, rue Jean-Jacques Rousseau – 92150 Suresnes, to the Company Recylex Commercial SAS including overhead expenses linked to the use of part of these premises.

Sub-letting of part of the premises located at 79, rue Jean-Jacques Rousseau – 92150 Suresnes, to the Company Norzinco SA.

4. Amendments to the loan granted by the Company to Delot Metal SA on October 1, 2002

On October 1, 2002 the Company granted a loan to Delot Metal SA with following conditions :

- Date of the loan: October 1, 2002
- Amount: 3.962.500,00 euros
- Interest rate: PIBOR 3 months +0,50%

The initial loan was modified by an amendment agreement no. 1 of March 12, 2007 as follows:

- Date of the loan: March 12, 2007
- Amount: 7.364.500,00 euros
- Interest rate: EURIBOR 3 months +0,50%

Effective from July 1, 2007, the rate interest was modified by an amendment agreement no. 2 on June 29, 2007, as follows:

- Date of the loan: March 12, 2007
- Amount: 7.364.500,00 euros
- Interest rate: EURIBOR 3 months +0,75%

The amount of the loan was reduced by an amendment agreement no. 3 on December 21, 2007 as follows :

- Date of the loan: December 21, 2007
- Amount: 3.072.300,00 euros
- Interest rate: EURIBOR 3 months +0,75%

Proposed resolutions

for the Shareholders' Ordinary and Extraordinary Meetings of May 6, 2008

Resolutions pertaining to the Shareholders' Extraordinary Meeting

First resolution

(Modification of conditions for free allotment of existing shares)

The Shareholders' Extraordinary Meeting, having satisfied the quorum and majority voting requirements, and having been informed of the report of the Board of Directors, and using its discretion (in accordance with article L. 225-197-1 paragraph 7) to set, for all or a portion of the freely allotted shares, the acquisition period at four years and to reduce or eliminate the vesting period, hereby extends the authorization granted to the Board of Directors on July 16, 2007 to proceed with a free allotment of existing shares, under the following terms:

(i) for beneficiaries who are employees and/or directors and officers of the Company or affiliated companies as defined by article L. 225-197-2 of the French Commercial Code and residents of France, the free allotment of shares would be definitive following a minimum acquisition period of two years starting from the decision to allot the shares and a vesting period of at least two years starting from the definitive allotment of the shares;

(ii) for beneficiaries who are employees and/or directors and officers of the Company or affiliated companies as defined by article L. 225-197-2 of the French Commercial Code and residents of Germany, the free allotment of shares would be definitive following a minimum acquisition period of four years starting from the decision to allot the shares, with no vesting period.

The other terms of the authorization granted by the Shareholders' Meeting of July 16, 2007 remain unchanged.

Second resolution

(Capital decrease of July 16, 2007)

The Shareholders' Extraordinary Meeting, having satisfied the quorum and majority voting requirements, and having been informed of the report of the Board of Directors and the Statutory Auditors' Report,

- notes that on July 16, 2007, the date at which the Shareholders' Extraordinary Meeting authorized the capital decrease by reducing the par value of outstanding shares to €2, the number of existing shares was 23,891,382 and not 23,736,382;
- approves, for the purpose of a material correction, the total capital decrease of €43,272,678.94, as opposed to €42,991,939, through a reduction in the par value of existing shares to €2 for the 23,891,382 existing shares, as well as the net balance of "retained earnings" which was reduced to –€7,876,634.63, instead of –€8,157,374.57;
- notes that, considering the above-mentioned capital decrease in the amount of €43,272,678.94 and the capital increase of €631,939.94 following the issuance of 175,600 new shares through the exercise of stock options through December 31, 2007 and recognized by the Board of Directors meeting of February 1, 2008 in accordance with the provisions of article L. 225-178 of the French Commercial Code, the Company's capital stock as of December 31, 2007 totaled €47,823,964, consisting of 23,911,982 shares with a par value of €2 each, fully paid up and belonging to the same class, and confirms, as necessary, the amendment of the first paragraph of article 5 of the by-laws accordingly to read as follows:

"*ARTICLE 5*

The capital stock is set at €47,823,964 divided into 23,911,982 shares with a par value of €2 each, fully paid-up and belonging to the same class."

Third resolution

(Delegation of authority to the Board of Directors to proceed with a capital increase reserved for employees participating in a Company savings plan in accordance with article L. 225-129-6 paragraph 2 of the French Commercial Code)

The Shareholders' Extraordinary Meeting, having satisfied the quorum and majority voting requirements, and having been informed of the report of the Board of Directors and the Statutory Auditors' report, and having noted that the shares held by employees of the Company and its affiliated companies in accordance with article L. 225-180 of the French Commercial Code accounted for less than 3% of the capital stock, and acting in accordance with articles L. 225-129-6 paragraph 2, L. 225-138 I and II and L. 225-138-1 of the French Commercial Code and articles L. 443-1 et seq. of the French Labor Code, authorizes the Board of Directors, for a period of 26 months starting from the day of this Shareholders' Extraordinary Meeting, to increase the Company's share capital at its sole discretion on one or more occasions and at such time and using such methods as it deems appropriate, through the issuance of common shares or securities convertible into common shares either in existence or authorized, reserved for employees of the Company or its affiliated companies who are participating in the Company savings plan, or through the attribution of free common shares or securities convertible into common shares either in existence or authorized, notably through the incorporation into the capital stock of reserves, profits or additional paid-in capital, within the legal and regulatory limits.

The maximum amount of the nominal increase in the Company's capital resulting from the combination of all share issues made under the scope of this authorization through the incorporation of reserves, earnings or additional paid-in capital under the terms and limits set forth by the above-referenced articles of the French Labor Code and implementation decrees is set at €100,000, with the stipulation that this maximum amount does not include the nominal amount of any common shares issued in the context of adjustments made to protect holders of warrants convertible into common shares.

If not all the issued shares are subscribed, the amount of the capital increase shall be limited to the amount of the subscribed shares. For the benefit of its employees and former employees, the Shareholders' Extraordinary Meeting hereby waives the pre-emptive right of shareholders to subscribe common shares or securities convertible into common shares to be issued as part of this authorization, and to waive all rights to shares or other securities attributed at no cost on the basis of this authorization.

The Shareholders' Extraordinary Meeting hereby:

- sets the discount offered in the context of the Company savings plan at 20% of the average price of Recylex shares on the Eurolist of Euronext during the first 20 trading days prior to the date when the decision is made to set an opening date for the subscription period. Instead of part or all of this discount, the Board of Directors may decide to substitute the attribution of shares or other securities pursuant to the provisions listed in the following paragraph;
- authorizes the Board of Directors to attribute, at no cost, common shares or securities convertible into common shares in the Company, with the stipulation that the total benefit resulting from this attribution or, where applicable, the discount mentioned in the above paragraph, not exceed the benefit that the participants in this Company savings plan would have benefit if the difference had been 20%; this authorization is also subject to the stipulation that the recognition of any monetary value of common shares attributed at no cost and valued at the subscription price not exceed the statutory limits.

The Board of Directors is fully authorized to implement this resolution.

The Board of Directors may, within its own prescribed limits, transfer its authority under this resolution to the Chief Executive Officer.

Resolutions pertaining to the Shareholders' Ordinary Meeting

Fourth resolution

(Approval of annual financial statements for the year ended December 31, 2007)

The Shareholders' Ordinary Meeting, having satisfied the quorum and majority voting requirements, and having been informed of the management report of the Board of Directors and the Statutory Auditors' report, and having reviewed the financial statements of Recylex SA for the fiscal year ended December 31, 2007, including the balance sheet, income statement and notes to the financial statements, approves said financial statements as presented as well as the transactions referenced in these financial statements and summarized in these reports. It sets the profit for the year at €25,377,092.58. It thereby discharges the directors for the performance of their mandate during the year under review.

Fifth resolution

(Approval of consolidated financial statements for the year ended December 31, 2007)

The Shareholders' Ordinary Meeting, having satisfied the quorum and majority voting requirements, and having been informed of the report of the Board of Directors on the management of the Group and the Statutory Auditors' report on the consolidated financial statements, approves the consolidated financial statements for the financial period ended December 31, 2007, including the consolidated balance sheet and income statement and notes to the consolidated financial statements, as presented to it, as well as the transactions referenced in these consolidated financial statements and summarized in these reports.

Sixth resolution

(Allocation of profit for the year ended December 31, 2007, as stated in the financial statements)

The Shareholders' Ordinary Meeting, having satisfied the quorum and majority voting requirements, and having been informed of the management report of the Board of Directors and the Statutory Auditors' report,

(i) notes that the profit for the year ended December 31, 2007, which includes a non-recurring charge of €121,693.14 related to stock options attributed in 2002, totals €25,377,092.58;

(ii) hereby allocates the profit for the year as follows:

– €875,022.89 to the "legal reserve";

– €24,502,069.69 to "retained earnings", whose net balance is amounting to €16,625,435.06 after deduction of previous carried forward losses totaling €7,876,634.63.

The Shareholders' Ordinary Meeting approves the amount of non-deductible expenses, as defined in article 39-4 of the French General Tax Code, which totaled €23,830.

As required by law, the Shareholders' Ordinary Meeting notes that no dividend has been distributed during the past three financial years.

Seventh resolution

(Approval of the agreements covered by articles L. 225-38 et seq. of the French Commercial Code)

The Shareholders' Ordinary Meeting, having satisfied the quorum and majority voting requirements, and having been informed of the special report of the Statutory Auditors on the

agreements covered by articles L. 225-38 et seq. of the French Commercial Code, duly takes note of said report and approves the agreements referenced therein.

Eighth resolution

(Renewal of Board of Directors mandate for Mr. Yves Roche)

The Shareholders' Ordinary Meeting, having satisfied the quorum and majority voting requirements, hereby renews the Board of Directors mandate of Mr. Yves Roche for a term of three years through the Shareholders' Ordinary Meeting held to approve the financial statements for the year ending December 31, 2010.

Ninth resolution

(Renewal of Board of Directors mandate for Mr. Aristotelis Mistakidis)

The Shareholders' Ordinary Meeting, having satisfied the quorum and majority voting requirements, hereby renews the Board of Directors mandate of Mr. Aristotelis Mistakidis for a term of three years through the Shareholders' Ordinary Meeting held to approve the financial statements for the year ending December 31, 2010.

Tenth resolution

(Undertaking under article L. 225-42-1 of the French Commercial Code in the benefit of Mr. Yves Roche)

The Shareholders' Ordinary Meeting, having satisfied the quorum and majority voting requirements, and having been informed of the special report of the Statutory Auditors, approves the undertaking to pay an indemnity to Mr. Yves Roche in the event he is required to step down from his functions as described in such report.

Eleventh resolution

(Powers)

The Shareholders' General Meeting hereby grants full powers to the bearer of the original minutes of this meeting, or a copy or excerpt thereof, for the purpose of carrying out all notification or other formalities.

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