2009 ANNUAL FINANCIAL REPORT

(Article L451-1-2 I of the French Monetary and Financial Code and articles 222-3 *et seq.* of the AMF's General Regulation)

Contents

Recylex – 6, place de la Madeleine F -75008 Paris
Administrative office : 79, rue Jean-Jacques Rousseau - F-92158 Suresnes Cedex
P : +33 1 58 47 04 70 - Fax : +33 1 58 47 02 45 - **www.recylex.fr**

STATEMENT BY THE PERSON RESPONSIBLE FOR THE ANNUAL FINANCIAL REPORT

I hereby declare that, having taken all reasonable care to ensure that such is the case, the financial statements have been prepared in accordance with the applicable accounting standards and present fairly in all material respects the assets and liabilities, financial position and results of the company and the group of consolidated companies, and that the Management Report attached hereto gives a true and fair view of the business development, financial position and results of the company and the group of consolidated companies, as well as a description of the main risks and uncertainties affecting them.

Yves Roche
Chairman and Chief Executive Officer

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

1. THE RECYLEX GROUP

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

1.1 Market conditions

The global economic crisis that began in 2008 continued throughout 2009. However, the reduction of inventories came to an end in the second half of 2009 and there was a recovery in production in certain areas at a global level.
This resulted in a steady increase in commodity prices, which had hit their lowest point for more than three years in 2008.
For example, the price of lead began 2009 at below €700/tonne, but finished the year at over €1,600/tonne.
The price of zinc followed a similar pattern, rising more than 120% over 2009.
Market conditions in the zinc and lead sectors improved significantly over the second half of the year.
However, the plastics and special metals divisions are still awaiting confirmation of recovery

Lead: a growing market

The price of lead rose by over 150% over the course of 2009. The average price for the year was $1,726/tonne, or €1,225/tonne.
Positive signals, such as the closure of a number of foundries in China and production problems in certain mines following labour disputes, resulted in investors taking long positions.
On the demand side, the market for replacement batteries did not perform well enough to offset the fall in global consumption, which was 3.6% lower than in 2008.
Worldwide, the market is now on an upward track, with a rebuilding of inventories observed at the end of 2009, together with an increase in battery consumption due to a cold winter in Europe, North America and China.
As more than 80% of lead is used as an energy store in automotive and industrial batteries, consumption is likely to rise as global economic activity recovers.

Zinc: market hit by the recession

Zinc, whose main markets are the automotive and construction sectors, was directly affected by the recession in late 2008.
Consumption fell by nearly 10% in 2009 compared to 2008. Producers cut output rates, but not by enough to offset lower demand. The result was a surplus of around 1 million tonnes for 2009.
The zinc price was driven upwards by investors' appetite for commodities and rose by more than 120% over the year.
As economies recover, consumption will naturally tend to rise over the course of 2010.

1.2 The position and businesses of the Group

LEAD

Nordenham lead (Germany)

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

In 2009, production was 115,000 tonnes, from 130,000 tonnes in 2008. This decline was due to a shortage of secondary materials in the first half. Given the on-going recession, investment was limited to maintaining production facilities, whilst avoiding the risk of any emergency closure of the plant.
A cost-cutting programme was introduced, focused mainly on energy consumption.
Very difficult conditions in the sulphuric acid market also had a negative impact on the plant's performance.
However, the quantity of secondary materials processed increased in the second half, boosting the foundry's capacity utilisation rate.

Fonderie et Manufacture de Métaux (Belgium)

Through its Fonderie et Manufacture de Métaux subsidiary ("FMM"), the Group operates a lead foundry in Belgium, producing lead alloy ingots from recycled materials. This company also collects batteries in the Benelux nations, which it forwards to Recylex SA's Escaudoeuvres plant for processing.

Following the accidental mercury pollution recorded in 2008, the management team at FMM has worked closely with the Institut Bruxellois de Gestion de l'Environnement (IBGE) to develop a solution that allows production to continue whilst meeting the legal limits regarding mercury levels. In addition to the system of continuous monitoring of mercury levels in chimney gases introduced in 2008, FMM introduced two fixed sulphurised activated carbon units to capture heavy metals and odours. Despite difficult economic conditions over the year, the two activities on this site continued to produce positive operating profits.

Battery processing

The Recylex Group recycles used batteries at three centres: two in France (Escaudoeuvres and Villefranche-sur-Saône) and one in Germany (Oker).
The lead produced from this process is sold to the Nordenham plant for smelting.

After the exceptionally weak volumes in 2008 (121,720 tonnes processed), due to falling prices in the final quarter, 2009 saw an increase in volumes to 130,551 tonnes, with a first half that was well below targets and a much better second half that allowed the gap to be closed.

The Group's three battery crushing plants had scheduled closures for maintenance in the summer of 2009.

Zinc oxides

Having decided to cease production of zinc oxides at the Anzin site (Nord, France), this business was effectively terminated in the first quarter of 2009. As a result, Norzinco was made dormant by a decision of its General Meeting of Shareholders on June 26, 2009.
Through its Norzinco GmbH subsidiary, Recylex operates a zinc oxide product plant at Goslar in Germany. Given the recession, this operation was forced to make temporary cuts in production, but continued to generate positive operating profit in 2009.

Recycling of steel mill dust

The Recylex Group recycles steel mill dust through two companies operating large-scale rotating kilns using the Waelz process: Harz-Metall GmbH in Oker, Germany ("HMG") and Recytech SA in Fouquières-lès-Lens, France (50%-owned by Recylex SA).

With the recession hitting the construction and automotive sectors, the volumes of dust to be processed fell considerably, as did the production of zinc, the main end-user of the output of the steel mill dust recycling process.
Recytech SA and HMG therefore closed down for periods of three and four months respectively, in order to adjust to economic conditions. Positive signs at the end of the first half, which were confirmed in the second half, allowed a resumption of production at levels of over 85% of capacity.

Plastics recycling

The Recylex Group recycles plastics (mainly battery cases) via two subsidiaries: C2P, located in Villefranche-sur-Saône, France and C2P Germany GmbH, in Goslar, Germany ("C2P GmbH"). The polypropylene produced is sold mainly to automotive component makers.

Against a background of tough market conditions, with automotive sector production in steep decline in 2009 and a collapse in polypropylene prices, C2P and C2P GmbH focused their strategy on diversifying customer portfolios, controlling production costs and improving management of working capital requirements.
The C2P GmbH plant was forced to cut production sharply and make use of part-time working.

Special metals

PPM Pure Metals GmbH, located in Langelsheim, Germany ("PPM") and its subsidiary Reinstmetalle Osterwieck GmbH based in Osterwieck, Germany ("RMO") produce special metals for use in the optical, electronics and photovoltaics industries.
The recession had a direct impact on arsenic and germanium production, forcing PPM and RMO to introduce part-time working.
However, the production of cadmium telluride, which is used in photovoltaic panels, was steady and still offers growth potential.

1.3 Key developments and major events

Impact of the recession on businesses

Following the marked slowdown in the steel industry, the steel mill dust recycling activity was temporarily suspended from the beginning of the year, until April for Recytech SA and May for HMG (zinc production business).
During the second half, the volume of material processed rose steadily, although not enough to close the gap that had opened up since the beginning of the year.
In plastics and special metals, part-time working was introduced in Germany and, to a lesser extent, at C2P in Villefranche-sur-Saône.

On-going litigation and continuation plan

Information regarding the on-going legal claims by former employees of Metaleurop Nord SAS on the one hand and by the liquidators of Metaleurop Nord SAS on the other hand, together with details of the Recylex SA continuation plan, are given in Section 2.2 of this Report.

Agreed settlement regarding the rehabilitation of certain sites in Germany

During the second quarter of 2009 a settlement was agreed between two German subsidiaries of the Group, HMG and PPM and the TUI group concerning the rehabilitation of certain sites in Germany belonging to these subsidiaries. The effect of this on the financial statements for the Recylex Group for the year to December 31, 2009 was a €11 million profit, recorded under "Other operating income and expense".

1.4 Group results

Pursuant to EC regulation no. 1126/2008 adopted on November 3, 2008, the Recylex group has prepared its consolidated financial statements for the year to December 31, 2009 in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union.

There were no major changes in the scope of consolidation between 2008 and 2009.

Consolidated revenues at the Recylex Group were €281m in 2009, a fall of 23% on 2008.

The decline in revenues in the lead division was due primarily to a fall in the average price of lead, in euro terms, in 2009 compared to 2008.
The fall in revenues in the zinc processing business, relative to 2008, was due primarily to the discontinuation of the zinc oxide production business, Norzinco, in the first half of 2009. The temporary suspension of Waelz oxide production in the first quarter of 2009 also affected output in the zinc business in 2009.

The Group reported a consolidated net profit of €9.1 million in 2009, compared to a loss of €49.7 million in 2008.

The consolidated net profit in 2009 consisted mainly of the following elements:

- Current operating income: €4 million,
- Other operating income: €14.7 million, comprising €11 million from the agreed settlement between two subsidiaries of the Recylex Group and the TUI Group, as described in Section 1.3 of this Report, and a reversal of provisions of €2.5 million relating to the ruling of December 18, 2009 by the Douai Appeal Court regarding the employment disputes detailed in Section 2.2.1 of this report.
- Other financial expense: €3.8 million,
- Income tax expense: €5.7 million.

The main changes on the balance sheet between 2008 and 2009 were as follows:

Property, plant and equipment: €2.5 million reduction

This change was due to a restriction in investment to cover maintenance requirements only in order to protect the Group's cash position.

Other non-current assets: €2.4 million increase

This change corresponds to the creation of a financial asset earmarked for the rehabilitation of certain industrial sites in Germany under the agreed settlement with the TUI Group.

Deferred tax assets: €8.2 million reduction

This change was due mainly to the cancellation of deferred tax assets relating to the use of the provision of €16.3 million which was considered as not tax deductible when it was constituted.

Inventories: +31%

The net value of inventories increased significantly over the course of 2009, due to a substantial rise in the prices of lead and of zinc. Actions to improve the management of working capital resulted in a sizeable reduction in inventory levels at the main foundry in Nordenham.
In the Recylex SA plants at Villefranche and Escaudoeuvres the increase in commodity prices was accompanied by an increase in inventory of finished products.

Trade receivables: +37%

The increase in trade receivables was due mainly to Weser-Metall GmbH, where receivables increased as a result of higher lead prices in euro terms.

Derivative financial instruments assets (€2 million reduction) and liabilities (€2.1 million increase)

The reduction in derivative financial instrument assets is due to the unwinding in 2009 of hedging positions taken on December 31, 2008. The increase in derivative financial instrument liabilities is due to the loss of value of hedging instruments acquired on December 31, 2009.

Non-current provisions: €13.1 million reduction

The reduction in non-current provisions was mainly due to a reversal of provisions relating to the legal claims lodged by former employees of Metaleurop Nord SAS, following the Douai Court of Appeal ruling awarding former employees compensation of between €10,000 and €30,000 plus €100 in costs, representing a total amount of some €12.4 million, that will be included in liabilities remaining to be settled, in accordance with the provisions of the Recylex SA continuation plan set out in Section 2.2.2 of this Report. *(See Note 14 of the Notes to the Consolidated Financial Statements for more information on non-current provisions relating to these legal claims).*

Other non-current liabilities: €6.4 million increase

The increase in other non-current liabilities is the result of a reclassification of part of the provisions relating to the legal action taken by former employees of Metaleurop Nord SAS.

Other current liabilities: €4.7 million reduction

The change in other current liabilities was due on the one hand to the €6 million reduction in "other operating liabilities" at PPM following the agreed settlement with the TUI Group in the second quarter of 2009 together with a reduction in tax liabilities of €2.3 million at HMG, and on the other hand to a reclassification as current liabilities of €4.5 million of the provisions relating to the legal action taken by former employees of Metaleurop Nord SAS.

Trade payables: +20%

The change in trade payables was due primarily to the increase in trade payables at Weser-Metall GmbH as a result of the fact that lead prices at end-2009 were substantially higher than at end-2008.

Tax liabilities due: €5.7 million reduction

Tax liabilities due stood at €2.3 million and related primarily to the Group's German businesses.

Investment

In 2009, the Recylex Group invested €7.8 million, primarily in the maintenance of its industrial facilities, together with an increase in cadmium telluride production capacity at the PPM special metals site.

The distribution of this investment by business area was as follows:

- Lead: €3.9 million
- Zinc: €2.4 million
- Special metals: €1.4 million
- Plastics and infrastructure: €0.1 million.

Borrowings

At December 31, 2009 the Group had financial debt (including debt relating to capitalised receivables) of €13,387,000. Of this €3,932,000 was classified as current and €9,455,000 as non-current (€9,353,000 falling due in between one and five years).

In addition to the Group's financial debt, there are the rescheduled debts under the continuation plan introduced in November 2005 (for more information regarding the continuation plan, see Section 2.2.2 of this Report).

Total debts under this plan stand at €29,143,000 (excluding intragroup accounts), which includes €12,421,000 in compensation to former employees of Metaleurop Nord SAS following the ruling of the Douai Appeal Court on December 18, 2008. Payments under this continuation plan stand at €7.3 million in 2010 and between €3.4 million and €5.5 million for 2011 to 2015 *(for more details concerning these rulings please see Section 2.2.1 of this Report).*

1.5 Post-closure events

Significant developments relating to the on-going legal claims lodged by former non-managerial employees of Metaleurop Nord SAS, a former subsidiary of Recylex SA, and the claim for civil liability made by Recylex SA against the representative of its creditors, are reported in Section 2.7 of this Report.

Having successfully completed first phase testing of battery recycling processes in 2009, Eco-Recyclage, a company in which Recylex holds a 33.33% stake received, in January 2010, permission to commence operations at its battery recycling facility located 200km to the south of Algiers and duly began production.

Given the fragility of the economic climate and the increased payments falling due under the continuation plan, notably due to the abovementioned rulings concerning former non-managerial employees of Metaleurop Nord SAS, the Group has cut back its investment projects and is focusing on protecting its cash resources, whilst continuing to seek strict control of costs and of working capital requirements.

1.6 Outlook

In line with all commodities, metal prices have continued to rise in the early part of 2010. However, prices remain highly volatile and corrections are possible. Over the first few months of 2010, prices fluctuated between $2,000/ tonne and $2,600/tonne for lead (between €1,400/tonne and €1,850/tonne) and between $2,000/tonne and $2,450/tonne for zinc (€1,400/tonne to €1,750/tonne).

The battery recycling business remained stable over the first quarter of 2010, with volumes similar to those in the first quarter of 2009. Demand for zinc remains fragile, but the Group's steel mill dust recycling plants continued operations during the first quarter of 2010. However, the recovery has yet to be seen in the plastics market. In special metals, new orders for arsenic derivatives seem to indicate the beginnings of a recovery.

1.7 Research & Development

Cadmium telluride recycling

PPM is conducting research into the recycling of cadmium telluride from the waste produced by its clients. Working with the University of Aachen (Germany), PPM is researching a technique to reclaim the telluride from waste. Initial tests are promising, although an industrial-scale process has yet to be developed.

Lithium ion battery recycling

Growth in the production of electric and hybrid vehicles will lead to increasing use of batteries containing lithium. Recycling these batteries presents a challenge and no industrial-scale process to do so currently exists. This is why the Lithorec project, coordinated by Braunschweig University of Technology and the vehicle technology research centre, is seeking to develop efficient recycling of lithium batteries in order to reclaim and purify the metal for use in new batteries. The Recylex group, with its experience in recycling automobile and industrial batteries, is a member of this project team. The project was officially launched in September 2009 by German Environment Minister, Sigmar Gabriel.

1.8 Description of the main risks and uncertainties to which the Group is exposed

The Group has carried out a review of the risks that could have a materially negative effect on its business activities, its financial situation or its results and believes that there are no significant risks other than those set out in this Report.

1.8.1 Financial risks

Commodity risk

The Group is exposed to the risk of fluctuations in metals prices, especially for lead and zinc. The prices for these two metals are quoted in US dollars on the London Metal Exchange. The Group has no influence over the price of these metals, and is therefore exposed to fluctuations in their value. This exposure derives from sales of metals for which production is based on reused materials (used batteries), the price of which is not directly linked to market prices, and on surplus metals recovered from the materials to be processed. As a result, the Group hedges any difference between purchase and sale price or variation in commercial inventories.

The Group is also exposed to fluctuations in the prices of lead and zinc. From time to time it uses hedging instruments to protect its margins.

Hedges for lead and zinc were taken out in 2009.

Currency risk

The Group is exposed to currency risk arising from transactions conducted by its subsidiaries in currencies other than their operating currency. Some procurement contracts in particular are denominated in dollars. The Group's practice is not to hedge this currency risk.

At December 31, 2009, the Group no longer had any dollar-denominated commodity derivatives to hedge euro-denominated sales. All commodity derivatives are taken out in euros.

Interest rate risk

Most of the Group's long-term debt is with Recylex SA, the holding company, Recylex GmbH, Weser Metall GmbH and RMO GmbH. Given the Group's situation, its debt chiefly comprises the rescheduled liabilities under Recylex SA's continuation plan and four loans contracted by Recylex GmbH, Weser Metall GmbH, C2P GmbH and RMO GmbH. The loans contracted by Recylex GmbH and C2P GmbH are at fixed rates; those contracted by Weser Metall GmbH and RMO GmbH are at variable rates.

The debt resulting from the continuation plan does not bear interest. The Group uses interest-rate derivatives to cover the interest-rate risk on the two floating-rate loans.

Counterparty risk

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

- *Credit risk linked to trade receivables*

Based on the information at its disposal, the Group does not anticipate any third-party failures that may have a material impact on its financial statements. However, given economic and financial conditions that remain particularly difficult and uncertain, the insolvency of Group clients cannot be completely ruled out.

In the lead sector, the Group maintains commercial relationships with a limited number of customers whose financial strength is proven and to which the payment terms granted are very short. However, for reasons set out above relating to the current exceptional economic and financial environment, the Group cannot completely rule out the possibility of failures among its customers.

In the lead and zinc sectors, the Group can cover part of the risk on trade receivables through the sale of receivables under non-recourse factoring contracts with a factoring company. At December 31, 2009, the Group had sold €8.7 million of receivables to a factoring company.

- *Credit risk linked to cash and cash equivalents and derivatives*

Currency and commodity hedges and treasury investments are made with prime financial institutions. However, given the current situation in the banking sector, which remains particularly difficult and uncertain, failures among financial institutions cannot be ruled out.

Liquidity risk

Following the adoption of the continuation plan by the Paris Commercial Court on November 24, 2005, Recylex SA's debt was rescheduled *(for more information on rescheduled liabilities see Note 18 in the Notes to the Consolidated Financial Statements).*

Under the continuation plan, the Company made the first four repayments to its creditors, of €11.4 million in 2006, €11 million in 2007, €2.3 million in 2008 and €2.3 million in 2009, for a total of €27 million.

Following the ruling by the Court of Appeal in Douai on December 18, 2009 *(for more information on on-going litigation involving the Group see section 2.2.1 of this Report and Note 1 of the Notes to the Consolidated Financial Statements)* the total compensation awarded to former employees of Metaleurop Nord SAS of €12.4 million was included in the continuation plan. Total debt under this plan stood at €34.8 million at December 31, 2009. The repayment falling due in November 2010 is €4.3 million. Payments to be made under the plan between 2011 and 2015 are in a range from €3.4 million to €5.5 million per year.

Recylex SA has prepared cash forecasts for 2010 based on the information available to it, notably including outlays linked to the outstanding instalments due to creditors during the 2010 financial year. The Group's subsidiaries have also submitted their cash flow projections (by cash pool) for 2010. These forecasts have been prepared on the basis of lower metal prices than those observed at December 31, 2009.

These forecasts suggest a reduction in the Group's cash holdings, but do not indicate any financing requirement in the short term. This is due in particular to the high level of cash held by the Group at December 31, 2009. Available cash amounted to €53.5 million at December 31, 2009. However, the volatility of metal prices, the difficulty in predicting their fluctuation and changes in the economic outlook make it extremely difficult to make any medium-term forecast.

It is important to note that the €50 million claimed in settlement of Metaleurop Nord SAS's liabilities by the liquidators of that company *(for more information on on-going litigation involving the Group see section 2.2.1 of this Report and Note 1 of the Notes to the Consolidated Financial Statements)* is not included in the Recylex SA continuation plan or in the Group's cash forecasts. On the assumption that this claim produces a negative outcome for Recylex SA, the cash available would no longer be compatible with the schedule of payments to creditors under the continuation plan and the commitments under the programme to rehabilitate former mining sites and the former site at Estaque *(see Note 38 of the Notes to the Consolidated Financial Statements, which gives details of environmental issues for the Group).*

1.8.2 Operational risks

Group entities operating lead smelters and other production sites are exposed to the risk of production stoppages due to incidents such as power cuts or shortages of essential materials. Each Group subsidiary has taken measures to forestall such risks, such as preventive maintenance, the constitution of stocks of essential items and other operating procedures.

The Group also has a limited number of raw materials suppliers, which could represent a risk of failure or loss of supply. The use of replacement sources of supply can be envisaged, albeit with a potential impact on processing costs. In view of the current exceptionally difficult and uncertain economic context, a failure of the Group's suppliers cannot be entirely ruled out.

The Recylex Group's business is concentrated on recycling of lead, zinc and plastics. It is organised around the local processing of materials, thus limiting the risks associated with transport of materials. These elements characterise the Recylex group's approach. The Group communicates regularly with local and national authorities regarding its approach.

At present, the Group's main clients are located in Europe; however, in the event of a decline in European demand, the Recylex group has the capacity to serve a non-European client base through the development of export activities.

1.8.3 Legal risks

Legal risks relating to on-going action by former managerial and non-managerial employees of Metaleurop Nord SAS and by the liquidators of Metaleurop Nord SAS are set out in detail in Section 2.2.1 of this Report.

1.8.4 Environmental risks

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

All Group sites whose recycling activities are liable to have an impact on the environment require prefectoral authorisation, compliance with which is an absolute priority. The Group is also responsible for rehabilitating a number of industrial and mining sites with their origins in the history of the two companies which founded the Group in 1988 (the Germany company Preussag AG, now TUI AG, and the French company Peñarroya), most of which were never operated by the Group. Since December 2003 the rehabilitation of former mining and industrial sites in France has been placed under the direct responsibility of the Chairman and CEO of Recylex SA, and the process is managed by an environmental expert.

1.9 Environmental protection

1.9.1 Overview

The Recylex Group was created in 1988 through the merger of the non-ferrous metals division of German company Preussag AG (now TUI AG) and the French company Peñarroya. Over the past ten years, the business has been transformed from a primary producer of lead and zinc (from metal concentrates) into a recycling business, processing waste as a secondary source of commodity metals, as metals can be recycled indefinitely.
The Group's operating facilities conducting businesses which could potentially have an impact on the environment are subject to administrative authorisations.

French sites

Recylex SA manages two operational sites in Villefranche-sur-Saône (Rhône) and Escaudoeuvres (Nord), and the closed site at L'Estaque-Marseille (Bouches-du-Rhône).

Two other sites are managed by subsidiaries: a site in Villefranche-sur-Saône by C2P and a closed site, which is classified under the Seveso directive, at Anzin (Nord) managed by Norzinco. A third site at Fouquières-les-Lens (Pas-de-Calais) is managed by Recytech SA.

The Group is also responsible for ensuring the security of fifteen mining concessions resulting from the past mining activities of Peñarroya, the vast majority of which were no longer in operation at the time of the creation of the Recylex Group.

German and Belgian sites

Through its German and Belgian subsidiaries the Group controls seven sites operated under licence:

one site in Brussels, managed by FMM; and six sites in Germany managed respectively by Weser-Metall GmbH in Nordenham (Bremen), which is classified under the Seveso directive, by Harz-Metall GmbH, Norzinco GmbH and C2P GmbH in Goslar-Oker, by PPM in Langelsheim and by RMO in Osterwieck (Lower Saxony).

Harz-Metall GmbH, PPM and Weser-Metall GmbH remain responsible for former waste heaps or landfill sites located within or near to operational sites. In many cases these former sites were not in operation when the Recylex Group was created.

Other sites

Eco-Recyclage, in which Recylex SA holds a 33.33% stake, has, since January 2010, operated a used battery recycling facility in Aïn Ouassara, Algeria.

1.9.2 Main environmental issues for the Group

Due to its conduct of industrial activities involving metals, particularly lead, and over and above simple compliance with local regulations, Recylex SA's growth strategy is governed by principles of responsible management of its facilities, the protection of the health of its employees and the preservation of the environment at both operational and closed sites. This policy is applied by all Group Divisions with periodic oversight by the CEO using IT systems and tools that were improved at the end of 2008.

Management of particle emissions from sites is a major challenge for the Group in ensuring a healthy environment for the neighbours of production sites. The use of high-temperature processes may result in the contamination of plant chimney gases by mercury or dioxins. Where necessary, such plants are fitted with filtration systems. Regulatory air quality protection standards are being continually tightened. In 2009, 26% of investment was devoted to improving environmental and/or health and safety protection.

European directive 2000/60/CE of October 23, 2000 set targets for improvements in European water quality for 2015, and has gradually been incorporated into operating licences for waste treatment plants which have had to adjust to these new requirements.

Although no Group site is governed by CO2 emission quotas, the Group takes account of the growing public awareness of climate change. Proposals for a carbon tax on energy are a growing concern for the Group, which will draw up a carbon assessment for its sites.

The Group also faces a risk of a change in status of materials which are currently classified as products but which, under European Directive 2008/98/CE of December 12, 2008, could be reclassified as waste, resulting in stricter operating limits on battery crushing plants and tighter controls on the transfer of materials between Group companies.

The final issue relates to the rehabilitation of former industrial sites or waste heaps, which in many cases have not been in operation for a number of years but for which the Group has either sole responsibility or joint responsibility with other industrial groups. These sites are covered by substantial provisions at a Group level. *(Details of environmental provisions are given in Note 38 of the Notes to the Consolidated Financial Statements).*

1.9.3 Internal management and prevention structures

The Company has developed an Environmental Management System which is applicable throughout the Group and conforms to the ISO 14001 principle of continuous improvements to environmental standards.

The EMS creates a framework for the Group to identify the impact of its activities, define improvement targets, implement action plans and evaluate progress.

The implementation of environmental policy requires the skills of management teams within each establishment or subsidiary in ensuring that environmental parameters are respected and providing a channel of communication with local authorities and communities. Each Director has at least one person reporting to them whose main responsibility is management of environmental protection, training and provision of information to employees, with a target of reducing environmental risks and defining the systems and structures to implement in the event of an emergency situation on each site.

A health, safety and environment (HSE) risk audit was carried out across all Group industrial sites by an external consultancy in 2008. Following this audit, quarterly environmental performance reporting to Group management was introduced, covering the use of resources and energy and air-borne and water-borne emissions. A more complete review, including waste management, is conducted annually. In the first half of 2009, a specific review of safety risk management and emergency response systems was conducted by an external consultancy for the C2P site and Recylex SA facility at Villefranche-sur-Saône.

Since 2002, Group sites producing lead-bearing materials have gradually all gained ISO 14001 certification. This target was achieved in 2008.

1.9.4 REACH procedure

Adopted in December 2006, EC regulation no. 1907/2006 REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) came into force on June 1, 2007 and covers the control of the manufacture, importing, sale and use of chemical substances.

REACH is a significant turning point in the regulation of industrial chemicals and will have a major impact on the ways in which producers, importers and users of chemicals operate. Significant benefits are expected in terms of protection of human health and the environment, through better knowledge of the substances, the risks involved in their use and, where required, reductions or complete bans on their use.

REACH consists of four main procedures:
- registration of chemicals,
- evaluation of chemicals,
- authorisation of chemicals,
- potential restriction of chemicals.

The Group is directly concerned by REACH with regard to around thirty substances. The Group works closely with international professional organisations such as the REACH Lead Consortium (International Lead Association in London) for lead-based chemicals and the REACH Zinc Consortium (International Zinc Association in Brussels) for chemicals containing zinc, regarding the implementation of the various stages of the process. During 2008 the Group responded to the first phase of the registration process: the pre-registration of substances produced in the Group's factories. In accordance with REACH regulations, the definitive registration of substances used or imported in quantities of more than 1,000 tonnes must be completed before December 1, 2010. This will include the registration of the fines produced by the Group's crushing plants and Weser-Metall GmbH and of zinc oxide for Norzinco GmbH. 2010 will be a particularly important year in establishing the chemical risk for each substance.

1.9.5 Measures taken to improve energy efficiency and reduce environmental impact

Energy requirements for the Group's plants are covered by the consumption of natural gas and electricity of 213,657MWh and 82,679MWh respectively for the entire Group. Energy saving measures form part of a long-term strategy to reduce consumption per tonne produced, through production process optimisation. The strategy of progressively discontinuing traditional smelting and refining activities and the conversion of these sites to breaking and sorting centres, with all metallurgic processing of lead-bearing materials concentrated at the Nordenham plant, which invested in a new-generation furnace around ten years ago, has produced substantial energy savings.

In 2009, energy (excluding transport) represented 9.13% of variable costs for the Group as a whole, but nearly 50% of variable costs at the Nordenham site.

Particular attention has been paid to CO_2 emissions generated by the transport of lead-bearing material between the French sites and the Nordenham site in Germany. Some 70% of transport is by water, 20% by rail and only 10% by road.

A new research project, seeking to develop a liquefaction process that could convert plastics in a former landfill facility on the HMG site into a diesel-type fuel, was launched in 2009 in cooperation with TUI AG and the government of Lower Saxony. The research contract runs for three years for a total of €1,200,000.

The Group's involvement with renewable energies is significant thanks to its PPM subsidiary, which makes the raw material used in the production of new thin-film photovoltaic cells (one-hundredth the thickness of silicon based technology) using cadmium telluride.

Recylex SA is also active in zinc recycling through Recytech SA. In 2009 investment was concentrated on improvements to the raw materials building and the furnace stocking zone. Recytech SA does not produce any industrial effluent.

1.9.6 Fines and complaints

No fine was imposed in 2009 for violations of air, water or waste disposal regulations.

No complaints regarding odours or noise pollution were made during 2009.

1.9.7 Environmental expenditure and provisions

Provisions relating to German sites

The majority of industrial sites and waste storage facilities in Germany ceased operations prior to the merger of Preussag AG businesses and Peñarroya S.A. in 1988. Under German law, an operator remains liable for all the damage caused by its operations, even if it has sold the land to third parties. During the second quarter of 2009 a settlement was agreed between two German subsidiaries of the Group, Harz-Metall GmbH and PPM, and the TUI Group concerning the rehabilitation of certain sites in Germany belonging to these subsidiaries.

Provisions recorded for German sites cover the rehabilitation obligations for ground and water tables and in particular for former waste heaps and landfill sites. These obligations have been notified to the Group by local authorities.

Cumulative provisions for German sites stood at €10m on December 31, 2009, including €8.7m for the Harz Metall GmbH site and €1.4m for the Weser Metall GmbH site. These provisions correspond to the best available estimates of costs based on technical reports from independent experts.

Some contractual compensation is paid by Harz-Metall GmbH to farmers to reflect the potential negative impact that proximity to plants could have on product yield and quality. In 2009 these payments totalled €50,000.

Expenditure relating to discontinued industrial sites in France

The former Norzinco site was subject to rehabilitation works during 2009. Norzinco SA began the process of discontinuing its zinc recycling business at Anzin in October 2008. The discontinuation process continued into early 2009 in accordance with the legislation set out in the Environmental Code, notably with the creation of a discontinuation log-book in cooperation with Prefectoral authorities and the Anzin (Nord) local authority. The completion of the discontinuation process was confirmed by a letter from the Prefect of the Nord département of August 18, 2009 authorising industrial use of the land.

1.9.8 Environmental policy of foreign subsidiaries

In common with Recylex SA's French operations, foreign subsidiaries have a potential impact on their environment due to atmospheric emissions, particularly those of lead and cadmium.

German sites

The largest German sites have received ISO 14001 certification. In addition to targets regarding compliance with local regulations, subsidiaries are regularly requested to reduce emissions.

The site with the potential to make the greatest contribution to environmental performance at the Recylex Group is that in Nordenham.

This site is rated Seveso II; assessment of risk under the Seveso regulatory framework is conducted by specialised consultancies. An emergency response plan has been developed in cooperation with local authorities. However, no risk of explosion that would cause damage for the neighbouring communities has been identified. Liability insurance coverage amounts to €10m.

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

Relevant values, as measured or calculated for the lead processing activity of Weser-Metall GmbH alone, are provided in the table below:

	Annual total for Weser Metall GmbH 2008	Annual total for Weser Metall GmbH 2009
Water consumption measured River water for cooling	6,446,890m³	4,760,000m³
Drinking water	180,292m³	189,374m³
Energy consumption measured Gas Electricity	127,040 MWh 44,276 MWh	137,351 MWh 43,724 MWh
CO_2 (greenhouse gas calculated)	25,747 tonnes	28,032 tonnes
Raw materials consumed including minerals (natural resources)	209,798 tonnes 67,448 tonnes	190,954 tonnes 51,481 tonnes
Non-hazardous waste processed	490.1 tonnes	251.5 tonnes
Hazardous waste treated in approved storage facility	456 tonnes	6 tonnes
Air emissions Lead (point source emissions) Lead (fugitive emissions) Cadmium (point source emissions) Cadmium (fugitive emissions)	230 kg 274 kg 2.3 kg 0.6 kg	428 kg 167 kg 2.7 kg 0.4 kg
Effluvial discharge Lead (measured discharges) Cadmium (measured discharges)	2.9 kg 0.21 kg	2.5 kg 0.20 kg

Another of the Group's German subsidiaries, HMG, emitted 12.9kg of lead and 19.7kg of cadmium into waste water. Atmospheric emissions were also significant, at 93kg of lead and 4kg of cadmium.

Belgian site

In January 2008, the FMM SA subsidiary in Belgium suspended its "metallic" smelting activities following mercury pollution in the atmosphere around the plant. The source of the pollution was traced to a batch of raw materials which were contaminated with mercury. In June 2008, the environmental protection agencies approved restarting the plant which had been equipped with systems for capturing mercury from flue gases and for continuous monitoring of flue gas mercury content. System performance proved inadequate, with frequent suspensions of production. Additional equipment was installed in October 2009 guaranteeing 100% effectiveness of capture.

2. RECYLEX SA

2.1 Situation and activities of the Company

Recylex SA is the parent entity of the Recylex Group. It also has an operational activity: recycling of used batteries in two centres in France at Escaudoeuvres and Villefranche-sur-Saône.

Early 2009 saw weak volumes of batteries being processed due to the slowdown in collection caused by the crisis. However, an upturn in volumes in the second half of 2009 allowed full-year volume targets to be met.

During 2009, a total of €1.2 million was invested in the two sites operated directly by Recylex SA.

2.2 Key developments and major events

2.2.1 On-going litigation

The claims lodged against Recylex SA by former employees of Metaleurop Nord SAS in 2005 and by the liquidators of Metaleurop Nord SAS in 2006 are still on-going.

Former employees of Metaleurop Nord SAS

(i) On June 27, 2008, the Industry section of the Lens labour tribunal considered that the Company was co-employer of 493 former non-managerial staff of Metaleurop Nord SAS and awarded each plaintiff damages of €30,000 plus €300 in costs. It also decided that these amounts, for a total of €14.9 million, should be incorporated into the liabilities subject to phased payment by Recylex SA under the continuation plan approved by the Paris Commercial Court on November 24, 2005. Recylex SA appealed against these decisions, thus suspending their execution.

On December 18, 2009 the Douai Appeal Court partially confirmed the earlier ruling, handing down:

- 460 judgements granting damages to unprotected former employees and ordering that these sums be incorporated into Recylex SA's liabilities for a total amount of €12.421 million. In accordance with the continuation plan, 24% of these sums, representing the first four payments under the plan (2006 to 2009) was paid on February 18, 2010. The balance will be paid in instalments in accordance with the details of the continuation plan set out in Section 2.2.2 of this Report.
- 11 referrals of judgement to the sitting of March 19, 2010 concerning unprotected former employees for various reasons (death of the plaintiff, absence of documents, dismissal of the employee prior to the liquidation of Metaleurop Nord SAS).
- 22 rejections of claims against Recylex SA by protected former employees (staff representatives, members of the works committee, union representatives).

On February 9, 2010 the Company decided to appeal.

(ii) On September 30, 2008, the Management section of the Lens labour tribunal failed to reach a decision on the claims from 91 former managerial staff of Metaleurop Nord SAS for damages of €30,000 plus €300 in costs, representing a total of €2.8 million.

On September 15, and September 30, 2009, the Management section of the Lens labour tribunal handed down its decisions. In particular it considered that Recylex SA was co-employer of 90 former managerial employees of Metaleurop Nord SAS. The Management section of the Lens labour tribunal awarded each plaintiff an identical amount of €30,000 in damages and €300 in costs and ordered that these sums be incorporated into Recylex SA's liabilities and paid in instalments. Recylex SA has appealed against these decisions, which suspends their execution.

A provision for the total amount claimed by the former managerial staff of Metaleurop Nord SAS, representing approximately €2.7 million, has been constituted in the financial statements of Recylex SA.

Liquidators of Metaleurop Nord SAS

The suit brought by the liquidators of Metaleurop Nord SAS, claiming the repayment by Recylex SA of €50 million of Metaleurop Nord SAS' liabilities, was rejected on February 27, 2007 by the Béthune Regional Court, in which the Court found that Recylex SA was not the de facto director of Metaleurop Nord SAS. The liquidators appealed against this ruling. On 18 November 2008, the Appeal Court in Douai issued a stay of proceedings and invited the parties to take the case to the Council of State (Conseil d'Etat).

Recylex SA argued that the action for repayment of liabilities brought by the liquidators of Metaleurop Nord SAS was inadmissible on the grounds that the liquidators had failed to state their claim in accordance with the law in the context of the court-supervised procedure to rehabilitate the Company begun on November 13, 2003 The liquidators asserted the existence of a provision in the regulations dispensing them from doing so. Pursuant to the judgment of the Douai Appeal Court, on February 12, 2009 the Recylex SA applied to the Conseil d'État for a preliminary ruling on legality. The preliminary ruling from the Conseil d'État is awaited before the Douai Appeal Court can rule on either the admissibility or the merits of the case.

No provision has been made in consolidated accounts or the accounts of Recylex SA against the claim by the liquidators of Metaleurop SAS, given the ruling in favour of Recylex SA of the Béthune Regional Court, considering that Recylex was not the de facto manager of Metaleurop Nord SAS.

It should be noted that the sums claimed in repayment of liabilities of Metaleurop Nord SAS (€50 million) are not included in the continuation plan approved by the Paris Tribunal de Commerce on November 24, 2005 and that if the final judgment of these claims results in an unfavourable outcome for Recylex SA, the implementation of the continuation plan could be jeopardised.

2.2.2 Recylex SA continuation plan

The Group continues to give the highest priority to meeting the commitments made by Recylex SA under its continuation plan, with objectives of equal importance being the maintenance of its 659 employment positions, assumption of its environmental responsibilities and the repayment of outstanding frozen liabilities of some €34.8 million (€29.9 million before elimination of intra-group debts) on a six-year schedule. To this end, the fourth annual payment under the plan, for a sum of approximately €2.3m, was made in November 2009. In addition, subsequent to the abovementioned rulings of the Douai Appeal Court, 24% of the total payments due to former non-managerial employees of Metaleurop Nord SAS, corresponding to the first four payments under the continuation plan, in a total amount of approximately €3 million were made on February 19, 2010. The balance will be paid in instalments of 10% at each of the next two payment dates (November 2010 and 2011), 12% for the following two dates (November 2012 and 2013) and 16% for the final two payment dates (November 2014 and 2015).

The fifth annual payment, due in November 2010, will be approximately €4.3 million.

2.3 Company results

Recylex SA had net income of €2.4 million in 2009 (compared to a loss of €22.9 million in 2008).

A resolution will be laid before the General Meeting of Shareholders called to approve accounts for the year to December 31, 2009, to allocate €2.4 million to the "Retained earnings" account, which will then show a deficit of €3.8 million.

The battery recycling business generated sales of €47.1m and operating profit of €4.1m. In 2008 this business had sales of €58 million and operating profit of €1.4 million.

Borrowings

No new financial borrowings were taken out by the Company during the financial year.
The company met the fourth annual payment commitment under its continuation plan on November 24, 2009, paying €2.3 million to its creditors.

At December 31, 2009, financial and operating debts stood at €41.6 million (€28.5 million at end-2008), of which €27.3 million will fall due in more than one year under the continuation plan. Debts frozen under the continuation plan do not bear interest.

Supplier payment terms

The analysis at end-2009 of trade payables by due date, in accordance with articles L. 441-6-1 and D. 441-4 of the French Commercial Code was as follows:

Trade payables *)	*In thousands of euros*
Balance at Dec. 31, 2009	4,315
Due	2,957
Due within 30 days	208
Due in 31 to 60 days	111
Due in 61 to 90 days	2
Due in 91 to 120 days	0
Due in more than 120 days †)	1,037

Recylex SA settles invoices received on the agreed terms. The only invoices not settled by the due date given on the invoice are those subject to a dispute which are classified as pending receipt of a credit note, and those which are received late. The unpaid balance of invoices due of €2,957 thousand included €2,677 thousand in invoices falling due between December 16 and December 31, 2009, which were paid in early January 2010.

Table of results

A table showing earnings at Recylex SA over the past five years is provided in Section 2.17 of this Report.

2.4 Changes in valuation methods

No change in valuation methods was introduced in 2009.

2.5 Non-deductible expense

In accordance with the requirements of article 223 *quater* and 223 *quinquies* of the General Tax Code, we hereby inform you that expenses that were not tax deductible, as defined in article 39-4 of the above code, were €19,625 in 2009.

2.6 Dividend payments in the past three years

In accordance with article 243 bis of the General Tax Code we would remind you that no dividend has been paid by Recylex SA in the past three years.

2.7 Post-closure events

Lead prices continued to rise in the early part of 2010. The volume of batteries processed was high. Purchasing prices were also high.

Subsequent to the abovementioned rulings of the Douai Appeal Court, 24% of the total payments due to former non-managerial employees of Metaleurop Nord SAS, corresponding to the first four payments under the Recylex

[*] Excluding costs due
[†] These are trade payables recognised as liabilities under the Recylex SA continuation plan

SA continuation plan, in a total amount of approximately €3 million were made on February 18, 2010. The balance of these payments will be made by instalment, in accordance with the details of the continuation plan as set out in Section 2.2.2 of this Report. On February 9, 2010 Recylex SA decided to appeal against these rulings by the Douai Appeal Court, which does not suspend their execution.

Given the fragility of the economic climate and the increased payments falling due under the continuation plan, notably due to the abovementioned rulings concerning former non-executive employees of Metaleurop Nord SAS, Recylex SA has cut back its investment projects and is focusing on protecting its cash resources, whilst continuing to seek strict control of costs and of working capital requirements.
Under the administration of Recylex SA, which resulted in the continuation plan adopted on November 24, 2005, the creditors' representative erroneously included amongst uncontested debts a debt which was subject to an on-going case before the Paris Commercial Court. This debt having been definitively included, Recylex SA was obliged to pay it under its continuation plan, without any ruling on the dispute having been made. The Company therefore decided to lodge a claim against the creditors' representative. In a judgement of 20 January 2010, the Paris Tribunal de Grande Instance awarded damages against the creditors' representative of €3 million including €1 million in provisional execution. On 22 February 2010 the decision was appealed by the creditors' representative.

2.8 Outlook

The Company continues to concentrate on supplying batteries to its plants at Villefranche and Escaudoeuvres in order to supply the Nordenham foundry in the north of Germany.

The early part of 2010 saw high levels of battery collection and thus substantial volumes. Given the increase in the price of lead, battery prices have also risen.

2.9 Research & Development

Given the execution of its continuation plan, the Company incurred no significant research and development expense in 2009.

2.10 Description of the main risks and uncertainties to which the Company is exposed

The specific risks relating to Recylex SA sites in France are set out in Section 1.8 of this report, "Description of the main risks and uncertainties to which the Group is exposed".

2.11 Acquisitions of equity stakes and controlling stakes

No equity stake nor controlling stake was acquired by the Company over the course of 2009.

2.12 Information regarding the Company's share capital

For more information concerning the share capital of Recylex SA, please see Note 6 of the Notes to the Parent Company Financial Statements).

2.12.1 Distribution of share capital

Distribution of share capital and voting rights

At March 27, 2009, share capital and voting rights were held as follows

	Number of shares	% of share capital
Individual shareholders	10,077,051	42.1
Glencore	7,703,857	32.2
Non-resident institutional investors	3,372,579	14.1
French institutional investors	2,666,630	11.0
Own shares	73,939*	0.3
Unidentified	63,926	0.3
Total	**23,957,982**	**100**

* *Including 50,000 shares freely allocated by the Board of Directors on September 26, 2008, under the authorisation granted by the General Meeting of Shareholders of July 16, 2007 as completed by the General Meeting of Shareholders of May 6, 2008.*

At December 31, 2009, the Company's share capital (before recognition by the Board of Directors on February 9, 2010 of the options exercised in 2009) was €47,915,964 comprising 23,957,982 fully paid-up shares of a single class with par value of €2.0 each.

At its meeting on February 9, 2010, the Board of Directors noted the increase in share capital from €47,915,964 to €47,919,964, following the exercise during 2009 of 2,000 options to subscribe for shares allocated by the Board of Directors on September 20, 2002 under the authorisation granted by the General Meeting of Shareholders of March 20, 2000.

Under the Company's by-laws, double voting rights are assigned to fully paid-up registered shares that have been owned by the same shareholder for at least two years. At December 31, 2009, 104,159 Recylex SA shares carried double voting rights.

Own shares held by the Company

At 31 December 2009, Recylex SA held 73,939 of its own shares. These treasury shares were bought by the company between September 2000 and June 2001 as part of a share buyback programme authorised by shareholders at the March 30, 2000 AGM.
For more information concerning the treasury shares held by the Company, please see Section 2.12.4 of this Report, "Treasury Stock Transactions and Holdings".

Major registered shareholders

On the basis of declarations received prior to December 31, 2009, the following registered shareholders owned 5% or more of Recylex's share capital

Shareholders	Number of shares	% of share capital
GLENCORE	7,703,857	32.2%

Notification of changes in shareholdings

In a letter dated June 8, 2009, Amiral Gestion SA of 9, Avenue Percier, 75008, Paris, acting on behalf of funds that it manages, stated that on June 2, 2009, as a result of the sale of 25,100 Recylex shares on the market, its holding had fallen below the 5% disclosure threshold in terms of capital and voting rights, and that at the date of the said declaration it held 1,023,839 Recylex shares, and as many voting rights, being 4.29% of the share capital and voting rights.

Amiral Gestion indicated that these transactions were conducted as a normal part of its portfolio management activities.

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

The table below summarises the current delegation of powers approved by the Shareholders' Meeting to the Board of Directors related to capital increases and the use of these powers made during 2009.

Nature of the delegation	Date of Shareholders' Meeting (Resolution n°)	Period (expiry date)	Maximum allowed amount	Use made in 2009
Free allocation of existing shares	- July 16, 2007 (n° 11) - May 6, 2008 (n° 1): changes in allocation conditions	38 months (September 16, 2010)	Number of own shares held by Recylex at the date of the meeting, i.e. 73,939 shares	None
Reserved rights issue for employee members of PEE scheme	May 6, 2008 (n° 3)	26 months (July 6, 2010)	Nominal value of €100,000	None
Repurchase by the Company of its own shares	May 12, 2009 (n° 8)	18 months (November 12, 2010)	10% of share capital at the date of the meeting	None
Reduction of share capital by cancellation of shares	May 12, 2009 (n° 9)	18 months (November 12, 2010)	10% of share capital in any 24 month period	None

2.12.3 Employee share ownership

Following the acquisition by the Company of 73,939 of its own shares as part of the share buy-back programme authorised by the Combined General Meeting of March 30, 2000, the Ordinary General Meeting of September 26, 2005 approved the allocation of these treasury shares to the purpose of allocating free shares to Group employees, and particularly through the use of a stock option scheme for employees and company officers.

The General Meeting of July 28, 2006 authorised the Board of Directors to allocate stock options, specifying that the beneficiaries of any such allocation would be employees or company officers of Recylex or of companies or groups of companies related to it. It also decided that each option would give the right to subscribe for one ordinary share and that the number of ordinary shares resulting from the exercise of stock options would not exceed 3% of the Company's share capital, or 717,359 shares. It also set the exercise period for the stock options so allocated.

The General Meeting of 16 July 2007 authorised the Board of Directors to make a free allocation, in accordance with the provisions of Articles L.225-197 to L.225-197-3 of the French Commercial Code, in one or more sections, of existing shares held by the Company up to a total not exceeding 73,939 shares, to the benefit of all or part of the employees and/or company officers of the Company and/or related companies as defined in Article L.225-197-2 of the French Commercial Code.

In particular, this General Meeting decided that the shares would be definitively vested in the beneficiaries after two years and that the beneficiaries would be required to hold the shares for a minimum period of two years after the vesting date, other than in circumstances set out in the plan.

The General Meeting of May 6, 2008 voted to complete and adjust the above authorisation granted to the Board with respect of beneficiaries resident in Germany. As a result, for beneficiaries resident in Germany, the vesting period has been increased to four years, and the minimum ownership period has been removed.

In accordance with the authorisation granted by the abovementioned General Meetings of July 16, 2007 and May 6, 2008, on September 26, 2008 the Board of Directors of Recylex SA voted to implement a plan to allocate 50,000 free shares, of the 73,939 existing shares held in treasury by the Company, with a view to allowing the beneficiaries to share in the performance of the Group through the increase in value of Recylex shares. The Board of Directors drew up the list of beneficiaries as well as the allocation conditions and criteria.

In addition, in accordance with the authorisation granted by the General Meeting of July 28, 2006, at the same meeting on September 26, 2008, the Board of Directors introduced a plan covering 540,000 stock options for the benefit of Group employees and company officers.

The Company did not introduce any stock option or free share allocation plans during 2009.

At December 31, 2009, Group employees did not own any Recylex SA shares through employee share ownership programmes or other similar plans.

The General Meeting of May 7, 2010 will consider a resolution to grant the Board of Directors authorisation to make free allocations of existing shares and of stock options.

2.12.4 Treasury stock transactions and holdings

The Combined General Meeting of March 30, 2000 authorised the Board of Directors, for a maximum period of eighteen months, to acquire a number of shares up to a maximum of 5% of the number of shares making up the issued share capital, for a maximum purchase price of €16 and a minimum sale price of €7.

Under this share acquisition authorisation, the Company purchased 73,939 of its own shares between September 2000 and June 2001.

The General Meeting of July 28, 2006 authorised the Board of Directors to allocate stock options, whilst the General Meetings of July 16, 2007 and May 6, 2008 authorised the Board of Directors to make one or more free allocation of existing shares held in treasury by the Company in accordance with conditions set out in Section 2.12.3 of this Report.

The Board of Directors, at its meeting of September 26, 2008, voted to introduce a stock option plan and a free share allocation plan, details of which are given in Section 2.12.3 of this Report.

The General Meeting of May 12, 2009, authorised, for a period of 18 months and in accordance with Articles L.225-209 et seq of the French Commercial Code, a share repurchase programme to a limit of 10% of the Company's share capital at the date of the Meeting, with a maximum purchase price of €10 per share. The Board of Directors did not implement this share repurchase programme during 2009.

At December 31, 2009, Recylex SA held 73,939 treasury shares, representing 0.15% of capital. The Company neither bought nor sold any of its own shares during 2009.

The General Meeting of May 7, 2010, will consider a resolution to cancel the previous authorisation and to grant authorisation for a new period of eighteen months of a share buy-back programme, details of which are attached to this Report, up to a maximum of 10% of existing share capital at the date of the Meeting.

2.13 <u>Information regarding company officers</u>

2.13.1 Composition of the Board of Directors

At December 31, 2009 the Board of Directors consisted of five Directors.

The Company by-laws stipulate that each Director be elected for three years and must hold at least 20 shares.

At December 31, 2009, the Board of Directors was as follows:

Name	Function	Age at Dec. 31, 2009	Date of first appointment/latest renewal	Date appointment expires	Number of shares held in the Company
Mr Yves Roche	Chairman and Chief Executive Officer of Recylex SA*	40	21.04.2005/ 06.05.2008	General Meeting held to approve accounts to December 31, 2010	20 shares
Mr Aristotelis Mistakidis	Director of Recylex SA *	48	20.09.2002/ 06.05.2008	General Meeting held to approve accounts to December 31, 2010	100 shares
Mr Richard Robinson	Director of Recylex SA *	56	08.04.2003/ 12.05.2009	General Meeting held to approve accounts to December 31, 2011	20 shares
Mr Mathias Pfeiffer	Director of Recylex SA *	64	28.07.2006/ 12.05.2009	General Meeting held to approve accounts to December 31, 2011	20 shares
Mr Jean-Pierre Thomas	Director of Recylex SA *	52	12.05.2009	General Meeting held to approve accounts to December 31, 2011	20 shares

* *Listed Companies*

The list of other directorships and posts held in other companies by members of the Board of Directors during 2009 is as follows:

Mr Yves Roche	*French companies:*	- Chairman of the Board of Directors, Norzinco - Director of Recytech SA - Supervisor of Recylex Commercial
	Foreign companies:	- Director of FMM - Director of Eco-Recyclage SPA
Mr Aristotelis Mistakidis	*Foreign companies:*	- Chairman of Portovesme Srl - Chairman of Mopani
Mr Richard Robinson	*French companies:*	- Director of Recytech SA - Permanent representative of Recylex SA on the Board of Directors of Norzinco
	Foreign companies:	- Director of Crew Gold Corporation * - Chairman of Metalor Technologies International SA (to October 2009)
Mr Mathias Pfeiffer	*Foreign companies:*	- Chairman of Hoesel & Siemer KGaA (to September 2009)
Mr Jean-Pierre Thomas	*French companies:*	- Director of Generali France

* *Listed Companies*

2.13.2 Directors' remuneration

(a) Remuneration of members of the Board of Directors

(i) Attendance fees

In accordance with current law, the maximum amount of attendance fees to be paid each year to the directors is set by the General Meeting of Shareholders.

The General Meeting of Shareholders on July 28, 2006 set the total amount of attendance fees allocated to Directors at €110,000 for that year and subsequent years until a further resolution of the General Meeting.

At its meeting of December 12, 2006, the Board of Directors voted, barring any subsequent decision, to allocate total attendance fees of €110,000 as follows:

- The Chairman of the Board of Directors receives €30,000.
- Each other member of the Board of Directors receives €20,000.

Total attendance fees received by Directors in 2009 were €110,000 in accordance with the allocation given above.

A resolution will be laid before the General Meeting of May 7, 2010 to set the total annual amount of attendance fees for members of the Board of Directors at €150,000 for the current year and future years pending a further resolution by the General Meeting.

(ii) Remuneration paid to non-executive company officers

Table of attendance fees and other remuneration paid to non-executive company officers		
Non-executive Directors	Payments in 2008	Payments in 2009
Mr Aristotelis Mistakidis		
Attendance fees	€20,000	€20,000
Other remuneration	None	None
Mr Mathias Pfeiffer		
Attendance fees	€20,000	€20,000
Other remuneration	€298,410[1]	€90,000 [1]
Mr Richard Robinson		
Attendance fees	€20,000	€20,000
Other remuneration	€90,625[2+3+4]	€80,000 [3+5]
Mr Jean-Pierre Thomas		
Attendance fees	N/A	€20,000
Other remuneration	N/A	None
TOTAL	**€449,035**	**€250,000**
Of which attendance fees	*€60,000*	*€80,000*
Of which other remuneration	*€389,035*	*€170,000*

[1] *Sums paid by Recylex GmbH under a service provision agreement dated 2007 between Recylex GmbH and Mr. Mathias Pfeiffer.*
[2] *Sums paid under a service provision agreement between Recylex SA and Argos Consulting which expired on September 30, 2008.*
[3] *Sums paid under a service provision agreement between Recylex SA and HRI BVBA of which Mr Richard Robinson is the manager. The terms of this agreement are described in the Auditors' special report on regulated agreements entered into during the year to December 31, 2009.*
[4]*Sums corresponding to a net amount of €60,625 received by Mr Robinson and a gross amount of €30,000 paid by Recylex SA.*
[5] *Sum corresponding to the gross amount paid by Recylex SA.*

(b) Remuneration of Executive Directors

Concerning the variable element of the remuneration paid to Mr Yves Roche, the Remuneration and Appointments Committee proposed that the level of the variable element should be set annually by the Board of Directors in the light of progress in achieving, over the course of the year, the qualitative targets set by the Remuneration and Appointments Committee each year. This proposal was adopted by the Board of Directors in a resolution of March 18, 2008.

Total remuneration, including bonuses and payments in kind, paid by Recylex SA and the companies it controls (including those registered outside France) to each Executive Director is shown in the table below.

Summary of remuneration and stock option allocations to each executive director		
Mr Yves Roche	**2008**	**2009**
Remuneration for the year (details in table 2)	€357,416	€297,416
Valuation of options allocated over the course of the year (details in table 4)	N/A	N/A
Valuation of performance-related share allocations over the year (details in table 6)	N/A	N/A
TOTAL	**€357,416**	**€297,416**

Summary of remuneration paid to each Executive Director				
Mr Yves Roche	**2008**		**2009**	
	Amounts due	Amounts paid	Amounts due	Amounts paid
- fixed remuneration (gross)	€200,000	€200,000	€200,000	€200,000
- variable remuneration	€120,000	€120,000	€60,000	€60,000
- exceptional remuneration	N/A	N/A	N/A	N/A
- attendance fees	€30,000	€30,000	€30,000	€30,000
- benefits in kind (company car)	€7,416	€7,416	€7,416	€7,416
TOTAL	**€357,416**	**€357,416**	**€297,416**	**€297,416**

Options to subscribe for or purchase shares allocated during the year to each company officer by the issuer and any other Group company						
Company officer	Number and date of plan	Type of option (purchase or subscription)	Valuation of options under method used for consolidated financial statements	Number of options allocated during the year	Exercise price	Exercise period
Mr Yves Roche	None	None	None	None	None	None
TOTAL						

Options to subscribe for or purchase shares exercised during the year by each company officer			
Company officer	Number and date of plan	Number of options exercised during the year	Exercise price
Mr Yves Roche	None	None	None
TOTAL			

Performance-related share allocations to each company officer						
Performance-related share allocations by the General Meeting of Shareholders made during the year to each company officer by the issuer or any other Group company (nominative list)	Number and date of plan	Number of shares allocated during the year	Valuation of shares under method used for consolidated financial statements	Date of acquisition	Date of availability	Performance conditions
Mr Yves Roche	None	None	None	None	None	None
TOTAL						

Performance-related shares becoming available during the year to each company officer				
Performance-related shares becoming available during the year to each company officer (nominative list)	Number and date of plan	Number of shares becoming available during the year	Acquisition conditions	Year of allocation
Mr Yves Roche	None	None	None	None
TOTAL				

Past allocations of stock options			
Information on subscription options			
Date of General Meeting	**30/03/2000**	**30/03/2000**	**28/07/2006**
Date of Board of Directors or Executive Board meeting	03/05/2000	20/09/2002	26/09/2008
Total number of shares available for subscription, of which the number available to:			
Mr Yves Roche	1,500	4,000	60,000[1]
Date from which options may be exercised	03/05/2004	20/09/2006	50% 26/09/2012 50% 26/09/2013
Expiry date	02/05/2010	20/09/2012	25/09/2018

Subscription price	€7.50	€2.21	€5.70
Exercise details (where plan has several phases)	-	-	50% 26/09/2012 50% 26/09/2013
Number of shares subscribed for at 31/12/2009	1,500	4,000	-
Cumulative number of options cancelled or expired	-	-	-
Outstanding options to subscribe for shares at year end	-	-	60,000

[1]*The Board of Directors has set at 1% the number of shares obtained under each exercise of options that Mr. Yves Roche is required to retain as registered shares until the termination of his functions as a company officer.*

Options to subscribe for shares allocated to the ten employees other than company officers receiving most options, and options exercised by these individuals	**Total number of options granted / number of shares acquired**	**Weighted average price**	**Plan n°**
Options granted during the year by the issuer and by any other company included in the scope of allocation of options to the ten employees of the issuer and any company included in this scope receiving the largest number of options (aggregate information)	None	None	-
Options granted by the issuer and above-mentioned companies during the year by the ten employees of the issuer and above-mentioned companies for whom the number of options so acquired or subscribed for is the highest (aggregate information)	2,000	€2.21	20/09/2002

Directors Company Officers	**Employment contract**		**Supplementary pension scheme**		**Compensation or benefits due, or liable to fall due, on termination or change of function**		**Compensation relating to non-compete clauses**	
	Yes	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**

Name: Yves Roche Function: Chairman and Chief Executive Officer Start of term: 21/04/2005 End of term: General Meeting to approve accounts for year to 31/12/2010	X[1]			X	X			X

1 *The Board of Directors has decided to terminate Yves Roche's employment contract, currently suspended, when a system of social security coverage has been introduced for him, bearing in mind the specific rules that apply to a company for which a continuation plan has been adopted.*

The Board of Directors, meeting on March 18, 2008, approved the proposal of the Remuneration and Nomination Committee that Yves Roche be 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 Yves Roche has facilitated such change and the transition to the new core shareholder. This compensation amounts to double the compensation and benefits received by him 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. This decision was approved by the General Meeting of Shareholders on May 6, 2008 and was covered by an auditors' report.

2.13.3 Directors' transactions in Recylex shares

During the course of 2009, no transactions in Recylex shares were declared by the Directors.

2.14 <u>Employment information</u>

For structural reasons, subsequent to the introduction of the continuation plan, management of human resources within the Recylex Group is based on a decentralised structure. The Group allows its subsidiaries complete autonomy in this matter.

In 2009 the Group had an average of 659 employees: 84 in France, 550 in German and 25 in Belgium.

2.14.1 Employment policy of Recylex SA

The information given in this section concerns Recylex SA, which in terms of employment consists mainly of the battery breaking plants at Villefranche-sur-Saône and Escaudoeuvres and the headquarters.

Some information relative to Recylex SA staff over the past five years is given at Point IV of Section 2.17 of this Report.

Employment

At December 31, 2009, Recylex SA had 38 employees (35 at December 31, 2008), as follows: 9 managerial employees, 18 supervisory staff, including 1 on a part-time contract, and 11 non-managerial employees.

At December 31, 2009, the company did not have any disabled workers.

Recruitment policy

Five employees were recruited over the course of 2009, primarily to replace employees who retired in 2008 and 2009:

- At Escaudoeuvres: one production employee and a head of logistics on permanent contracts;
- At Villefranche-sur-Saône: one production and environmental control employee and one human resource manager on permanent contracts and a communications assistant on a fixed-term contract;
- At headquarters: one legal adviser on a fixed-term contract.

Temporary staff and sub-contractors

In 2009 Recylex employed 5.25 temporary staff, 1.5 at the Escaudoeuvres site and 3.75 at Villefranche-sur-Saône.

The company sub-contracts several services including transport of supplies and products, maintenance of grounds at its sites, office and workshop cleaning and maintenance of its production facilities. In 2009, 27 staff at service providers were allocated to Recylex SA, from 13 staff in 2008.

Remuneration

Total personnel expense was €1,901,832.87 in 2009 compared to €1,912,275 in 2008.

The overall salary increase is revised each year. Annual wage settlements are negotiated in accordance with the law and resulted in an overall 2% increase in 2009.

Workers and supervisors receive a thirteenth month payment in December and a half-month bonus payment in June. All employees receive a family supplement.

Structure of working time

Working time is based on a 35-hour week, in accordance with agreements introduced in response to the law on reduced working hours.

Average absenteeism was 2.83% in 2009, from 1.84% in 2008. This was entirely the result of non-work-related illnesses (there were no work-related illnesses or incidents in 2009). Maternity and paternity leave are not included in this calculation.

During 2009, 406 overtime hours were worked.

Gender equality

On December 31, 2009, women made up 32% of the overall workforce and 44% of managerial staff. On December 31, 2008, they made up 28% of the overall workforce and 22% of managerial staff.

In accordance with the principle of equal pay for doing the same job, men and women are classified according to the same pay scale as a function of the responsibilities of the post they occupy.

Labour relations

One staff representative and one deputy representative are responsible for representing staff before management. The staff representative attends meetings of the Board of Directors of the Company. In 2009 six meetings were held with the staff representative.

Training

In 2009, Recylex SA provided 2,437 hours of staff training, equivalent to 2.36 full-time staff. This substantial effort related mainly to the training of new recruits together with legal and regulatory training requirements (ISO 14001).

Employee training included the following programmes:

- safe vehicle operation (CACES platform, forklifts, cranes, diggers, loaders)
- Electrical skills
- Workplace first aid
- Environmental law, contract law
- Languages
- Technical training
- Fire prevention and use of extinguishers
- ISO 14001 awareness
- Internal QHSE auditor
- Management, teamwork
- Accounting and finance
- IT, office productivity and industrial drawing applications

Social responsibility and relations with local authorities

The Company maintains close relationships with local authorities, such as Mayoral offices and Directions Régionales de l'Aménagement et du Logement (DREAL). It also participates actively in local communities, most notably through its support of sporting and cultural associations.

2.14.2 Health and safety

ISO 14001 certification for the sites at Villefranche and Escaudoeuvres, received in 2007 and 2008 respectively, were renewed in 2008 and 2009.

The strict legislative limits on lead exposure require constant efforts to prevent lead poisoning. Given the limited number of employees on its production sites, Recylex has chosen to target those employees most at risk. It has done so in cooperation with medical officers, and the CRAM, with whom Recylex works extremely closely and who provide invaluable support. Recylex SA is doing everything necessary to ensure that the blood lead levels of employees exposed to lead remain below the legal maximum of 400 µg/l.

In 2009, no work-related illness was notified at the Recylex SA operational sites, and no workplace accident or health and safety incident arose.

During 2008, a health, safety and environment (HSE) audit was carried out across all Group sites by an external consultancy, which produced an in-depth analysis of health, safety and environmental risks. Based on this report, management of HSE performance indicators at a Group level has been strengthened. An action plan to improve health and safety risk management was introduced during 2009 for the Group's French and Belgian plants.

In the first half of 2009, the Villefranche site implemented the "Recylex Lab" pilot project directed by external consultancy Ingeneris. The aim was to carry out a health and safety audit and to make the necessary adjustments to achieve excellence in this field. The Company took note of the various comments and suggestions received.

2.15 Environmental protection

(For more information on environmental issues see Note 22 of the Notes to Parent Company Financial Statements)

2.15.1 Environmental performance

The only direct operational industrial sites of Recylex SA are the "breaking plants" at Escaudoeuvres and Villefranche-sur-Saône.

Relevant values, as measured or calculated, are provided in the table below(*):	Annual total for Recylex SA 2008	Annual total for Recylex SA 2009
Water consumption measured ▪ Wells and municipal water	14,883 m^3	14,286 m^3
Raw materials processed (100% recycled material)	83,672 tonnes	92,732 tonnes
Energy consumption measured ▪ Natural gas ▪ Electricity	 2,209 MWh 1,558 MWh	 2,190 MWh 1,563 MWh
Greenhouse gases (CO2 emissions, calculated)	455 tonnes	451 tonnes
Production of non-hazardous waste	933 tonnes	781 tonnes
Production of hazardous waste processed in an approved site	2,714 tonnes	3,160 tonnes
Air emissions (measured) ▪ Lead ▪ Cadmium	 4.5 kg 0.04 kg	 2.4 kg 0.09 kg
Discharges in water (discharge measured) ▪ Lead ▪ Cadmium	 2.0 kg 0.50 kg	 08 kg 0.33 kg

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

2.15.2 Measures taken to limit impact on protected animal and plant species

Both sites are located in industrial zones, far from any protected area, and therefore require no particular protection measures.

Particular attention is taken during works to close former mine workings where these have been identified as bat roosting sites. In this case, closure consists of closing the gallery with a thick concrete wall incorporating a hole fitted with steel bars, rather than closure by blasting or the use of fill materials.

2.15.3 Environmental expenditure and provisions

Environmental expenditure falls into two distinct categories: expenditure on equipping, operating and monitoring current operational sites, and costs relating to the remediation of the former production and mining sites of Recylex SA.

Expenditure related to active sites

Environmental expenditure for the two active sites operated by Recylex SA came to €615,000, or 50% of the total, for investment in environmental protection, and €600,000 in operating expense for water processing facilities, environmental impact management and research.

Due to atmospheric transfer of dust, the sites were evaluated for health risk due to the metal content of surrounding land. As a result public utility easements introducing usage restrictions were established in May 2004 in Escaudoeuvres and November 2005 in Villefranche-sur-Saône.

Provisions for risks relating to the easements around the Villefranche-sur-Saône site stood at €150,000 on December 31, 2009.

Expenditure relating to discontinued industrial sites

Two former industrial sites were subject to remediation studies and works during 2009.

Operation of the l'Estaque facility was halted in February 2001. The impact on the local environment was caused by metal residues and demolition waste, which will have to be stored in enclosed storage cells to be built on-site.
A prefectoral decree of 2002 defines the remediation programme for this site and sets targets for soil quality after treatment. In November 2008, the Company was notified of a supplementary prefectoral decree, which modified the deadline for remediation works, extending it to December 31, 2011. In accordance with this supplementary decree, the Company submitted a proposal for the construction of enclosed storage cells on land belonging to it. This proposal was discussed with the City of Marseille and other government bodies throughout 2009. A new prefectoral decree was issued by the authorities in January 2010, setting out details of the construction of storage cells.
Expenditure related to this site came to €592,000 in 2009.
The inclusion of an additional year of recurrent costs led to an increase in forecast costs of €670,000.
The aggregate amount of provisions covering the l'Estaque site rehabilitation programme came to €16,707 thousand at December 31, 2009.

Recylex SA owns land and buildings that belonged to the former Penox SA activity in Rieux (Oise). The operator has sent the authorities and Recylex S.A. 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 has been maintained. The usage restriction process in favour of the government was finalised by the Prefect of the Oise on May 29, 2009. A waste management company has indicated its interest in acquiring the site, but the deterioration in economic conditions in 2009 caused it to postpone a final decision on any acquisition until 2010.

Expenditure relating to mining sites

Recylex SA continues to hold a number of mining concessions which are no longer exploited. A long-term policy of abandoning these sites after their rehabilitation has been defined. 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 various installations required for mining activities and former mine waste storage areas. The risk of mining waters, which may contain pollutants, affecting the natural environment is also taken into account. As a result, three former mines have been equipped with water processing installations prior to discharge.

In 2004, Recylex defined a programme of securing its mining concessions, which was validated and kept updated with the French ministry with responsibility for mines and local authorities. The objective to have finalised all renouncements at year-end 2010 has been extended to 2012.

In 2009, Recylex SA had planned to hand four mining concessions back to the Government, having received prefectoral decrees confirming that security works had been completed in accordance with the regulations. Following the reorganisation of the various bodies with responsibility for mines at both regional and national levels in 2009, two concessions were handed back.

At end of 2009, Recylex held 15 mining concessions, having successfully renounced 14 concessions since 2004.

During the course of 2009, work with a value of €1,966 thousand was carried out on the closure of the mine at Chassezac (Gard and Ardèche), the remediation project for the mining chamber at Noailhac-Saint-Salvy (Tarn) and the management of water processing plants.

During the 2009 financial year, an assessment of the additional work required at several mining facilities and the inclusion of an additional year of recurring costs resulted in an increase of projected costs of around €867 thousand.
The aggregate amount of provisions covering the entire former mining site rehabilitation programme came to €6,558 thousand at December 31, 2009.

2.16 Elements liable to have an impact on the outcome of a takeover bid (article L. 225-100-3)

1° Information regarding the structure and ownership of share capital and voting rights is given at point 2.12 above.

2° There are no restrictions in the Company's by-laws on the exercise of voting rights or transfer of shares nor any agreements notified to the company under article L.233-11 of the French Code of Commerce that would be liable to have an impact on the outcome of a takeover bid.

However, the description of the 2010 share buy-back programme to be submitted for approval by the General Meeting of Shareholders on May 7, 2010 states that this programme may be implemented during the period of a takeover offer for the Company's shares, provided that the offer is to be settled entirely in cash.

3° The main identified shareholders of the Company are listed under Note 2.12.1 of this Report. In a letter of June 8, 2009, Amiral Gestion SA, of 9, Avenue Percier, 75008 Paris, acting on behalf of funds it manages, declared that on June 2, 2009 its holding in the Company had fallen below the 5% disclosure threshold with regard to capital and voting rights.

4° Under the Company's by-laws, double voting rights are assigned to fully paid-up registered shares that have been owned by the same shareholder for at least two years.

5° The Company did not have employee shareholding schemes in place on December 31, 2009.

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

7° The rules applicable to the appointment and replacement of Directors and the modification of the by-laws are not liable to have an impact in the event of a takeover bid.

8° Under the Board of Directors' rules, prior discussion by the Board of Directors is required in the event of total or partial disposal of equity stakes held by the Company, or of acquisitions or disposals of assets with a value of more than €500,000 per transaction.

9° The Company has not entered into any agreements that would be modified or cancelled in the event of a change of control of the company.

10° In the event that Mr Yves Roche's position is terminated following a significant change in the shareholder structure at Recylex SA supported by the Board of Directors, Mr. Roche will receive compensation equivalent to double the gross compensation paid to him under his mandate as a company officer in the most recent year prior to such termination, provided that Mr. Roche has facilitated such change and the transition to the new core shareholder. This compensation would be paid only after the Board of Directors has confirmed that these performance targets have been met.

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

RESULTS OF THE COMPANY FOR THE PAST FIVE FINANCIAL YEARS

Amounts in euros	2005	2006	2007	2008	2009
I. SHARE CAPITAL AND OTHER EQUITY INSTRUMENTS AT THE YEAR END					
Issued capital	88,964,224	90,464,703	47,823,964	47,915,964	47,919,964
Number of ordinary shares in issue	23,342,682	23,736,382	23,911,982	23,957,982	23,959,982
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	770,300	435,300	333,200	791,800	665,800
II.. OPERATIONS AND RESULTS FOR THE YEAR					
Sales excluding tax	26,360,284	36,878,148	83,296,157	58,603,854	48,308,050
Earnings before tax, employee profit-sharing, depreciation, amortisation and provisions	24,364,820	4,455,463	20,298,869	4,785,636	(10,607,942)
Income tax	172,500	(248,610)	(155,714)	(153,114)	
Employee profit-sharing in respect of the financial year					
Earnings after tax, employee profit-sharing. depreciation, amortisation and provisions	29,305,974	13,710,771	25,377,093	(22,888,446)	2,416,217
Dividend payout					
III. EARNINGS PER SHARE					
Earnings after tax, employee profit-sharing, but before depreciation, amortisation and provisions	1.04	0.19	0.86	0.21	(0.44)
Earnings after tax, employee profit-sharing, depreciation, amortisation and provisions	1.26	0.58	1.06	(0.96)	0.10
Net dividend per share					
IV. EMPLOYEES					
Average number of employees during the year	25	28	30	36	34
Total payroll for the year	1,226,565	1,507,835	1,730,192	1,912,275	1,901,833
Amount of benefits paid in the year (social security, social welfare, etc.)	549,392	657,036	695,416	849,867	901,765

CONSOLIDATED FINANCIAL STATEMENTS FOR FINANCIAL YEAR ENDED DECEMBER 31, 2009

STATEMENT OF FINANCIAL POSITION (Financial year ended December 31, 2009)

(In thousands of euros)	***Notes***	***12/31/2009***	***12/31/2008***
Assets			
Non-current assets			
Property, plant and equipment	**3 and 5**	72,866	75,401
Intangible assets	**4 and 5**	1,857	2,118
Financial assets	**6**	847	799
Derivatives	**36**	-	187
Other non-current assets	**7**	5,303	2,953
Deferred tax assets	**28**	8,506	16,665
		89,379	**98,122**
Current assets			
Inventories	**8**	57,850	44,207
Trade receivables	**9**	33,655	24,616
Current income tax assets		1,727	3,057
Other current assets	**10**	8,014	8,655
Derivatives	**36**	122	2,158
Cash and cash equivalents	**11**	53,498	77,450
		154,866	**160,143**
Non-current assets held for sale		-	-
		154,866	**160,143**
TOTAL ASSETS		**244,245**	**258,266**
Equity and liabilities			
Issued capital	**12**	47,920	47,916
Share premiums	**12**	783	783
Reserves attributable to equity holders of the parent	**12**	44,604	94,033
Hedging reserves	**12**	(630)	1,624
Net income attributable to equity holders of the parent	**12**	9,065	(49,723)
Translation adjustments	**12**	1,452	1,452
Share premiums and reserves attributable to equity holders of the parent		**103,195**	**96,084**
Minority interests		-	-
Total equity		**103,195**	**96,084**
Non-current liabilities			
Interest-bearing borrowings	**13**	9,455	11,077
Provisions	**14**	26,144	39,270
Pension liabilities	**15**	24,955	28,353
Other non-current liabilities	**18**	20,617	14,252
Deferred tax liabilities	**28**	2,424	2,515
		83,595	**95,467**
Current liabilities			
Interest-bearing borrowings	**13**	3 932	4,477
Provisions	**14**	11,113	14,586
Pension liabilities	**15**	2,214	2,253
Trade payables	**16**	19,709	16,451
Income tax payable		2,291	7,964
Derivatives	**36**	2,072	-
Other current liabilities	**17**	16,123	20,983
		57,454	**66,715**
Liabilities associated with non-current assets held for sale.		-	-
Total liabilities		**141,050**	**162,182**
TOTAL EQUITY AND LIABILITIES		**244,245**	**258,266**

CONSOLIDATED INCOME STATEMENT
Financial year ended December 31, 2009

(In thousands of euros)

	Notes	12/31/2009	12/31/2008
Sales of goods and services		280,804	367,058
Total sales	**19**	**280,804**	**367,058**
Purchases used		(194,874)	(268,623)
Staff costs	**21**	(40,296)	(42,629)
External costs	**20**	(44,195)	(55,503)
Taxes other than on income		(1,230)	(2,773)
Depreciation, amortisation and impairment losses	**23**	(1,926)	(13,520)
Goodwill impairment losses		-	-
Changes in work-in-progress and finished goods		4,392	(13,595)
Other operating income and expense	**24**	1,287	1,716
Operating income before non-recurring items		**3,962**	**(27,868)**
Other non-recurring operating income and expense	**25**	14,656	(22,594)
Operating income		**18,618**	**(50,462)**
Interest income from cash & cash equivalents		807	2,637
Gross interest expense		(894)	(934)
Net interest expense	**26**	**(87)**	**1,702**
Other financial income and expense	**27**	**(3,790)**	**(4,063)**
Income tax expense	**28**	(5,676)	3,099
Share in income from equity affiliates			-
Net income before minority interests		**9,065**	**(49,723)**
Minority interests			
Net income attributable to equity holders of the parent		9,065	(49,723)
Earnings per share:		*In euros*	*In euros*
- basic	**29**	0.38	(2.08)
- diluted	**29**	0.37	(2.08)

STATEMENT OF COMPREHENSIVE INCOME
Financial year ended December 31, 2009

(In thousands of euros)	12/31/2009	12/31/2008
Net income……………………………………………………………………….	**9,065**	**(49,723)**
Translation adjustments………………………………………………………….	-	
Cash flow hedges …………… …………………………...	(3,179)	(3,044)
Deferred tax on cash flow hedges……………………….	926	886
Income and expenses recognised directly in equity………………………….		
Total other comprehensive income…………………………………………	**(2,253)**	**(2,157)**
Comprehensive income………………………………………………………………………	**6,812**	**(51,880)**
Of which:		
Attributable to equity holders of the parent…………………………………………………………………………	6,812	(51,880)
Minority interests…………………………………………………………	-	-

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AT DECEMBER 31, 2009

(In thousands of euros, except per share data)	*Number of shares*	*Share capital*	*Share premiums*	*Hedging reserves*	*Consolidated reserves*	*Total equity, attributable to eq. holders of parent*	*Total equity*
Equity at January 1, 2008	**23,911,982**	**47,824**	**409**	**3,781**	**95,444**	**147,458**	**147,458**
Net income for the year					(49,723)	(49,723)	(49,723)
Other comprehensive income							
Change in hedging reserves net of tax (1)				(2,157)		(2,157)	(2,157)
Total other comprehensive income				*(2,157)*	-	*(2,157)*	*(2,157)*
Comprehensive income for the period				**(2,157)**	**(49,723)**	**(51,880)**	**(51,880)**
Share-based payment					42	42	42
Issue of shares/reduction in capital (2)	46,000	92	374			466	466
Equity at December 31, 2008	**23,957,982**	**47,916**	**783**	**1,624**	**45,762**	**96,084**	**96,084**
Equity at January 1, 2009	**23,957,982**	**47,916**	**783**	**1,624**	**45,762**	**96,084**	**96,084**
Net income for the year					9,065	9,065	9,065
Other comprehensive income							
Change in hedging reserves net of tax (1)				(2,253)		(2,253)	(2,253)
Total other comprehensive income				(2,253)		(2,253)	(2,253)
Comprehensive income for the period							**6,842**
Share-based payment					295	295	295
Issue of shares/reduction in capital (2)	2,000	4				4	4
Equity at December 31, 2009	**23,959,982**	**47,920**	**783**	**(630)**	**55,122**	**103,195**	**103,195**

(1) Other changes reflect hedging reserves (note 36.1) net of deferred tax liabilities.
(2) Changes in the share capital are detailed in note 12.

CONSOLIDATED STATEMENT OF CASH FLOW
Financial year ended December 31, 2009

(In thousands of euros)	*12/31/2009*	*12/31/2008*
Net income of consolidated companies	9,065	(49,723)
Non-cash income and expenses	(11,876)	35,080
- Depreciation - property, plant and equipment	*10,257*	*10,578*
- Amortisation - intangible assets	*280*	*226*
- Additions to/releases from impairment loss provisions on intangible assets and property, plant and equipment	*174*	*5,405*
- Changes in provisions	*(19,961)*	*17,049*
- Elimination of stock option impacts	*295*	*42*
- Non-cash eliminations[3]	*(3,032)*	*1,260*
- Gains and losses on disposals of non-current assets	*112*	*521*
Cash flow after net interest and tax expense	**(2,811)**	**(14,643)**
- Elimination of interest expense	*88*	*(1,702)*
- Income tax expense	*5,676*	*(3,099)*
Cash flow before net interest and tax expense	**2,953**	**(19,445)**
Change in the current working capital requirement	(6,358)	44,402
- Inventories	*(3,763)*	*33,996*
- Trade receivables	*(11,044)*	*25,652*
- Trade payables	*3,167*	*(7,834)*
- Other current assets and liabilities	*5,282*	*(7,412)*
Change in the non-current working capital requirement	4,419	(3,514)
Impact of changes in provisions on the working capital requirement	(9,076)	(123)
Income tax expense	(963)	(7,393)
Cash flow from operating activities	**(9,026)**	**13,926**
Changes in the scope of consolidation		
Purchases of property, plant and equipment, and intangible assets	(7,111)	(15,025)
Disposals of property, plant and equipment, and intangible assets	39	35
Changes in financial assets[4]	(4,911)	245
Cash flow from investment activities	**(11,983)**	**(14,745)**
Increases in borrowings	654	176
Repayment of borrowings	(3,538)	(3,369)
Interest income/(expense) on financial assets	(63)	1,835
Other movements in the share capital	4	465
Cash flow from financing activities	**(2,943)**	**(893)**
Changes in cash and cash equivalents	**(23,952)**	**(1,712)**
Cash and cash equivalents at beginning of period	77,450	79,162
Cash and cash equivalents at close of period	53,498	77,450
Changes in cash and cash equivalents	**(23,952)**	**(1,712)**

[3] Mainly comprising a gain following a debt waiver granted to the Group (see note 25).
[4] Comprising the recognition of a financial asset dedicated to the rehabilitation of some of the Group's sites in Germany (see note 7).

NOTE 1. PRESENTATION OF THE BUSINESS AND SIGNIFICANT EVENTS

Details of the company

On March 19, 2010, the Board of Directors approved and authorised publication of Recylex SA's consolidated financial statements for the year ended December 31, 2009. These consolidated financial statements are subject to the approval of shareholders in the May 7, 2010 AGM.

Recylex SA is a *société anonyme* (joint-stock corporation) registered in France and listed on the Paris Stock Exchange (ISIN code: FR0000120388).

Business description

Recylex operates mainly in France, Germany and Belgium, and has some 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.

Significant events in the 2009 financial year

In 2009, lead prices rose from €682 a tonne at December 31, 2008 to €1,662 a tonne at December 31, 2009. However, the average price during the year was €1,225 a tonne, below the 2008 average of €1,404.

Meanwhile, the price of zinc rose from €805 a tonne at December 31, 2008 to €1,783 a tonne at December 31, 2009. The average zinc price during the year was €1,179 a tonne, below the 2008 average of €1,260.

In the lead business, the economic crisis led to a fall in volumes of secondary materials for processing (batteries) in the first half of 2009, although the deficit was made up in the second. During the year, 130,551 tonnes of batteries were processed compared with 121,720 tonnes in 2008. The main plant in Germany was unable to work at full capacity throughout 2009 due to the shortage of secondary materials for processing in the first half. Total production amounted to about 115,000 tonnes compared with 130,000 tonnes the previous year.

In the zinc business, Harz Metall GmbH in Germany and Recytech SA (50%-owned) temporarily shut down their production of Waelz oxides from recycling zinc-enriched steel mill dust during the first half. This measure was the result of general market trends, with a reduction of production by steel makers and partial or full production stoppages at major zinc producing clients, leading to a fall in the volume of materials to be processed and a contraction in demand for Waelz oxides. Positive signs at the end of the first half were confirmed during the second, enabling production to resume at over 85% of capacity. Having taken the decision in 2008 to discontinue zinc oxide production at the Anzin plant in northern France), this business was definitively shut down in the first quarter of 2009. Norzinco therefore became a dormant company by resolution of the shareholders at their meeting of June 26, 2009. The Recylex Group, through its German subsidiary, Norzinco GmbH, now operates a zinc oxide production plant in Oker, Germany. The Oker plant was forced to reduce its production temporarily because of the crisis but it nonetheless made an operating profit in 2009.

In a difficult market climate marked by a sharp slowdown in automobile production and the collapse of polypropylene prices, C2P SAS and C2P GmbH focused on diversifying their client base, controlling their production costs and improving their working capital requirement. The C2P GmbH plant was forced to reduce its production sharply and temporarily lay off staff.

The crisis had a direct impact on the production of arsenic and germanium, forcing PPM GmbH and RMO GmbH to temporarily lay off staff. By contrast, the production of cadmium telluride used in manufacturing solar panels remained buoyant and still offers growth potential.

During the second quarter of 2009, a settlement was reached between two of the Group's German subsidiaries - Harz Metall GmbH and PPM GmbH – and the TUI Group on the rehabilitation of certain sites in Germany belonging to these subsidiaries. The impact on the consolidated financial statements at December 31, 2009 was a gain of €11 million recognised under "Other non-recurring operating income and expense" (see note 25).

Algeria

The used battery recycling plant in Algeria (operated by Algerian company Eco-Recycling, which is 33.33%-owned by Recylex SA) successfully completed its initial trial phase in the first quarter of 2009 and received authorisation to begin production in January 2010.

Ongoing litigation

The legal claims lodged against Recylex SA by former employees of Metaleurop Nord SAS on the one hand and by the liquidators of Metaleurop Nord SAS on the other hand are still ongoing.

- Former employees of Metaleurop Nord SAS:

(i) On June 27, 2008, the Lens labour tribunal (Industry section) found that Recylex SA was the co-employer of 493 former non-managerial staff of Metaleurop Nord SAS, and awarded each claimant €30,000 in damages and €300 in expenses. It also decided that these amounts, totalling about €14.9 million, should be incorporated into the Company's liabilities to be paid off in instalments under the terms of the continuation plan approved by the Paris Commercial Court on November 24, 2005. Recylex SA has appealed against these decisions.

On December 18, 2009, the Douai Appeal Court partially upheld the labour tribunal's decision, ruling as follows:

- Damages were awarded to 460 unprotected former employees and Recylex SA was ordered to recognise these sums as liabilities totalling €12.421 million. In accordance with the continuation plan, 24% of this sum, corresponding to the first four instalments of the plan (2006 to 2009) was paid on February 18, 2010 and the balance will be paid in instalments in accordance with the terms and conditions of the continuation plan detailed in note 18.
- Eleven cases involving unprotected former employees have been adjourned to a hearing on March 19, 2010 for various reasons (death of claimant, lack of documentation, employee made redundant before Metaleurop Nord SAS's liquidation).
- Twenty-two cases involving protected former employees (staff representatives, works council members, trade union delegates) were rejected.

On February 9, 2010, the Company decided to go to higher appeal.

(ii) On September 30, 2009, the Management section of the Lens labour tribunal failed to reach a decision on the claims made by 91 former managerial staff of Metaleurop Nord SAS for damages of €30,000 plus €300 in costs, representing a total of €2.8 million.

On September 15 and September 30, 2009, the tribunal delivered its verdict, notably finding that Recylex SA was the co-employer of 90 former managers of Metaleurop Nord SAS. Each claimant was awarded an identical sum of €30,000 in damages and €300 in expenses and Recylex SA was ordered to include these sums in its continuation plan liabilities to be paid off in instalments. The Company has appealed against these rulings, thus suspending enforcement.

A provision for the total amount of compensation claimed by the former managers of Metaleurop Nord SAS, representing approximately €2.7 million, has been recognised in Recylex SA's financial statements.

- The liquidators of Metaleurop Nord SAS:

The suit brought by the liquidators of Metaleurop Nord SAS, claiming the payment by Recylex SA of €50 million of Metaleurop Nord SAS's losses, was rejected on February 27, 2007 by the Béthune Regional Court, which found that Recylex SA was not the *de facto* director of Metaleurop Nord SAS. The liquidators have appealed against the ruling. On November 18, 2008, the Douai Appeal Court decided to adjourn proceedings and invited the parties to refer the matter to France's *Conseil d'Etat*.

Recylex SA had argued that the action for repayment of liabilities brought by the liquidators of Metaleurop Nord SAS was inadmissible on the grounds that the liquidators had failed to state their claim in accordance with the law in the context of the court-supervised procedure to rehabilitate the Company begun on November 13, 2003. The liquidators relied on a regulatory provision which they claim dispensed them from doing so. In accordance with the decision of the Douai Appeal Court, Recylex SA made a legality assessment application to the *Conseil d'Etat* on February 12, 2009. The *Conseil d'Etat* must make its decision before the Douai Appeal Court can rule on either the admissibility or the merits of the case.

Recylex SA has not set aside any provisions in its parent-company or consolidated financial statements for the proceedings initiated by Metaleurop Nord SAS's liquidators, given the judgment in Recylex SA's favour by the Béthune Regional Court that Recylex SA was not the *de facto* manager of Metaleurop Nord SAS.

It should be noted that the sums claimed with respect to Metaleurop Nord SAS's liabilities (€50 million) are not included in the continuity plan approved by the Paris Commercial Court on November 24, 2005 and that, if the final decisions in these proceedings go against Recylex SA, the implementation of the continuity plan could be jeopardised.

Recylex's continuation plan

The Group continues to give the highest priority to meeting the commitments made by Recylex SA under its continuation plan, with objectives of equal importance being the maintenance of its 659 employment positions, assumption of its environmental responsibilities and the repayment of outstanding frozen liabilities of some €29.9 million (€34.8 million before elimination of intra-group debts) on a six-year schedule. The fourth annual payment under the plan took place in November 2009, in an amount of around €2.3 million. In addition, following the Douai Appeal Court rulings of December 18, 2009, 24% of the total amount of compensation due to former non-managerial employees of Metaleurop Nord SAS, corresponding to the first four instalments of the continuation plan, i.e. approximately €3 million, was paid on February 18, 2009. The fifth annual payment, due in November 2010, will be approximately €4.3 million.

NOTE 2. SIGNIFICANT ACCOUNTING METHODS

Use of estimates

2009 was marked by the effects of the global economic crisis. Despite the rise in lead and zinc prices since the beginning of the year, prices remained volatile and difficult to predict. Market conditions in 2010 remain uncertain and the economic recovery very fragile.

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 are 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 assumptions on which they were based change or upon receipt of additional information. Actual results may differ significantly from those estimates depending on various assumptions or conditions.

In the currently highly volatile market and given the difficulty of assessing economic prospects, the financial estimates used in the preparation of consolidated financial statements for the year to December 31, 2009 are based on the best current estimates by the Group's management regarding the foreseeable future and use assumptions that include the effects of an economic crisis of limited duration.

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.

Basis of preparation

The consolidated financial statements have been prepared in euros, and all amounts have been rounded off to the nearest thousand euros, unless stated otherwise.

Compliance with accounting standards

Pursuant to EC Regulation no. 1126/2008 adopted on November 3, 2008, the Recylex group has prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (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).

All standards and interpretations adopted by the European Union are available on the European Commission's website at: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

Presentation of Financial Statements - Change of accounting method

The Group applies IAS 1 revised (2007) - Presentation of Financial Statements, which came into effect on January 1, 2009. This standard was adopted by the European Union on December 17, 2008. The Group accordingly presents all owner changes in equity only in the statement of changes in consolidated equity, while non-owner changes are presented in the statement of comprehensive income. This presentation has been used for the financial statements for the period January 1 to December 31, 2009. Comparative information has been restated to comply with the revised standard. This change of accounting method only affects the presentation and has no impact on the financial statements.

New standards

The following standards are applicable as of January 1, 2009 but do not have any material impact on the financial statements.

- IFRS 2 Amendment – Vesting Conditions and Cancellations, applicable to financial years starting on or after January 1, 2009. This standard was adopted by the European Union on December 16, 2008.

- IAS 32 Amendments – Financial instruments Redeemable at the Option of the Holder, applicable to financial years starting on or after January 1, 2009. This standard was adopted by the European Union on January 21, 2009.

- IAS 23 R - Borrowing Costs, applicable to financial years starting on or after January 1, 2009. This standard was adopted by the European Union on December 10, 2008.

- IFRIC 13 - Customer Loyalty Programmes, applicable to financial years starting on or after July 1, 2008. This standard was adopted by the European Union on December 16, 2008.
- IFRIC 15 - Agreements for the Construction of Real Estate, applicable to financial years starting on or after January 1, 2009. This standard was adopted by the European Union on July 22, 2009.
- IFRIC 16 - Hedges of a Net Investment in a Foreign Operation, applicable to financial years starting on or after October 1, 2008. This standard was adopted by the European Union on June 4, 2009.
- IFRIC 17 - Distributions of Non-cash Assets to Owners, applicable to financial years starting on or after July 1, 2009. This standard was adopted by the European Union on November 26, 2009.
- IFRIC 18 - Transfers of Assets from Customers, applicable to financial years starting on or after July 29, 2009. This standard was adopted by the European Union on November 27, 2009.
- IFRS 7 Amendment - Improvements to Financial Instruments Disclosures, applicable to financial years starting on or after January 1, 2009. This standard was adopted by the European Union on November 27, 2009.

The new standards, amendments to existing standards and the following interpretations had been published but were not applicable at December 31, 2009, and have not been adopted early by the Group:

- IFRS 3 R and IAS 27 revised – Business Combinations, applicable to financial years starting on or after July 1, 2009. These standards were adopted by the European Union on June 3, 2009.
- IAS 32 amendment on the classification of rights issues, applicable as of February 1, 2010.
- IAS 39 - Financial instruments: Exposures Qualifying for Hedge Accounting, amended and applicable to financial years starting on or after July 1, 2009. This standard was adopted by the European Union on September 15, 2009.

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 (see note 32.5).

<u>Scope and methods of consolidation</u>

Basis of consolidation

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

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 share 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.

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 functional currency of all Group companies, 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	3 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 retirement or when no future economic benefits are expected to flow from its use or its disposal. Any gains or losses resulting from derecognition of an asset (difference between the net proceeds upon disposal and carrying amount of the asset) are 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.

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 1 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 equal to the difference is recognised in income and allocated first to 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 reflects the amount that could be obtained from selling the asset (or group of assets) in an arm's length transaction less any costs directly attributable to the disposal.

Financial assets

Non-current financial assets consist of investments in unconsolidated subsidiaries, loans and receivables due from investments, as well as advances and guarantee deposits granted to third parties.

In accordance with IAS 39, investments in controlled, unlisted companies that are not consolidated are treated as available-for-sale securities and stated at fair value. Any gains and losses are recorded as a separate component of equity. Where there is objective evidence of impairment in a financial asset (notably a significant or prolonged diminution in value), an impairment loss that may not be reversed is 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 cannot be estimated reliably using generally accepted methods, the securities are stated at acquisition cost, less accumulated impairment.

Advances and guarantee deposits are non-derivative financial assets with pre-determined or determinable payments that are not listed on an active market. Such assets are 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 a maturity of between zero and sixty days, are recognised at the initial invoice amount less any write-downs for unrecoverable 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. Unrecoverable receivables are recorded as a loss as soon as they are identified as such.

For the Group's two German subsidiaries, factoring agreements are accounted for according to their legal terms. The trade receivables are sold to the factoring company at their face value. The cash received from the sale is paid into the company's bank accounts. The retentions provided for contractually by the factoring companies are recognised as other receivables. The general terms and conditions of the factoring agreements provide for a guarantee against the risk of customer insolvency under which the factoring company has "no recourse". Receivables sold under these agreements meet the criteria set out in IAS 39 and have therefore been derecognised, which has had a material impact on trade receivables and on borrowings and liabilities.

For agreements which do not meet the derecognition criteria set out in IAS 39, the factoring transactions are restated. Trade receivables are adjusted for the receivables sold and the liability to the financial institution is recognised under short-term financial liabilities.

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, 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 is exposed to fluctuations in metals prices, particularly lead and zinc. This exposure derives from sales of metals for which production is based on secondary materials (lead produced from battery recycling), the price of which is not directly linked to market prices, and on surplus metals recovered from the materials to be processed. The Group uses derivatives traded on the London Metal Exchange to protect itself against these risks. These derivatives are deemed to be cash flow hedges.

The Group is also exposed to two main trading risks related to metal prices:

1) Risk of fluctuations in metal prices relative to its firm commitments arising from sale contracts which are not recognised on the balance sheet;

2) Risk of fluctuations in prices of metals contained in commercial inventories[5]:

Most transactions related to metals use London Metal Exchange (LME) prices. If metal prices were constant, the price paid by the Group for these raw materials would be passed on to the clients in the product price. However, during the transformation of the raw materials into the product, fluctuations in metal prices result in differences between the price paid for the metal contained in the raw materials and the price received for the metal contained in the products sold to the client. A trading risk therefore exists concerning changes in the metal price between the time when the price of the raw material purchased is determined and the time when the selling price of the finished product is determined.

The Group's policy is to hedge its trading risk as far as possible mainly using futures contracts. These derivatives are recognised as fair value hedges if they meet the criteria for hedge accounting.

If they do not meet the criteria for hedge accounting set out in IAS 39, they are measured at fair value through profit or loss both at inception and subsequently. Changes in fair value are recognised through profit or loss under "Other financial income" or "Other financial expenses".

The Group primarily uses futures and options.

Recognition of hedging transactions

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.

[5] Lead inventories at the Group's main smelter are divided into: a) permanent inventories; b) commercial inventories. The Group is exposed to risks relating to the prices of metals in its inventories. This risk relates to the market value of the metal, which could fall below the carrying value of inventories. The Group's policy is not to hedge the risk relating to permanent inventories and to hedge the risk relating to commercial inventories.

The Group identifies the hedging item and the hedged item as soon as the hedging is arranged, and formally documents the hedging relationship by identifying the hedging strategy, the risk hedged and the method used to assess the effectiveness of the hedge:

- **Fair value hedges:**

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

- **Cash flow hedges:**

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

Cash and cash equivalents

Cash and short-term deposits 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 abatement.

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 on the basis of a forecast budget prepared with the help of specialist consultancies, depending on legal and technical factors known at the time the estimates are made. The Group then consults contractors in order to refine its forecasts.

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

Employee benefits

The Group sets aside 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 or losses are accounted for using the corridor method: 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

The Group uses share-based remuneration methods.

Stock options and free share plans have been granted to certain senior managers and employees of the Group.

Stock options:

The fair value of services received in return for the grant of these options is measured definitively with reference to the fair value of those options at the grant date and to the number of options for which the vesting conditions will be met at the end of the vesting period. In carrying out this measurement, the Group uses a Black-Scholes mathematical valuation model. During the vesting period, the total fair value is charged on a straight-line basis over the whole vesting period for the plan in question, and the number of options for which the vesting conditions will be met is reviewed at each balance sheet date. The expense is recognised in staff costs, and its balancing entry is an increase in equity. When options are exercised, the exercise price received by the Group is recognised in cash and cash equivalents, with a balancing entry in equity.

Free share allocations:

Free shares are measured at fair value on the grant date. 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).

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

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 it is probable that future economic benefits will accrue to the company and those benefits can be reliably measured.

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.

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.

Operating expenses – Contribution Economique Territoriale tax

The 2010 finance act, passed on December 30, 2009, abolished the French business tax (*taxe professionnelle*) as of 2010 and replaced it with the *Contribution Economique Territoriale* (CET) tax, which includes two new contributions:

- The *Cotisation Foncière des Entreprises* (CFE), based on the property rental values currently used to calculate the *taxe professionnelle*;
- The *Cotisation sur la Valeur Ajoutée des Entreprises* (CVAE), based on the value added reported in the parent company financial statements.

The Group recognises the *taxe professionnelle* in operating expenses.

Pending a final position on the accounting treatment of these two new contributions, the Group does not believe, at this stage, that there is any reason to treat the CVAE or the CFE any differently from the current *taxe professionnelle*. The two new contributions will therefore be recognised as operating expenses in the same way as the current *taxe professionnelle*.

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 tax

Income tax assets and liabilities falling due in the current or in previous financial years are stated at the amount expected to be collected from or paid to the taxation authorities. The tax rates and tax regulations used to determine these amounts are those enacted or substantively enacted at the balance sheet date.

Deferred taxes are 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 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, 2009 and December 31, 2008

12/31/2009 *(In thousands of euros)*	***Gross***	***Accumulated amortisation***	***Impairment losses***	***Net***
Land…………………………………	5,405	(467)	-	4,938
Buildings……………………………	111,328	(86,723)	-	24,605
Plant and tools……………………..	211,283	(171,794)	(5,193)	34,296
Assets in progress…………………	5,254	(94)	-	5,160
Other………………………………..	21,095	(17,228)	-	3,867
Total………………………………….	**354,365**	**(276,306)**	**(5,193)**	**72,866**

12/31/2008 *(In thousands of euros)*	***Gross***	***Accumulated amortisation***	***Impairment losses***	***Net***
Land…………………………………	5,407	(464)	-	4,943
Buildings……………………………	110,543	(81,026)	(1,402)	28,115
Plant and tools……………………..	212,539	(173,787)	(6,533)	32,219
Assets in progress…………………	4,702	100	(100)	4,702
Other………………………………..	20,571	(15,149)	-	5,422
Total………………………………….	**353,762**	**(270,326)**	**(8,035)**	**75,401**

b) Change in property, plant and equipment between January 1, 2008 and December 31, 2009

(In thousands of euros)	***Net***
Net carrying amount after depreciation and impairment losses at January 1, 2008…………	**77,384**
Additions ……………	14,694
Depreciation expense for the year ……………	(10,578)
Impairment losses (1) ……………	(5,405)
Disposals and retirements ……………	(3,641)
Reversals of depreciation during the period ……………	2,947
Other…………………………………………………………………………………..	
Net carrying amount after depreciation and impairment losses at December 31, 2008 …………	**75,401**
Additions ……………	7,815
Depreciation expense for the year ……………	(10,431)
Impairment losses ……………	-
Disposals and retirements ……………	(128)
Reversals of depreciation during the period ……………	-
Other…………………………………………………………………………………..	209
Net carrying amount after depreciation and impairment losses at December 31, 2009…………	**72,866**

(1) Concerning the property, plant and equipment of Norzinco S.A. and Harz Metall GmbH.

Additions include €2.1 million for replacing and upgrading the production facilities at the main lead smelter in Nordenham, Germany (Weser Metall GmbH), €1.2 million for improvements to the French battery breaker facility and the installation of specialised containers to improve battery collection in France, €1.4 million to extend cadmium telluride production capacity in Germany, and €2.2 million in improving productivity at the three zinc recycling plants in Germany and France.

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***	***Amortisation***	***Net***
12/31/2009………………………………………………	1,656	(157)	1,499
12/31/2008………………………………………………	2,661	(1,816)	845
12/31/2007………………………………………………	2,661	(1,571)	1,090
12/31/2006………………………………………………	2,600	(1,326)	1,274

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, 2009 and December 2008

12/31/2009 *(In thousands of euros)*	***Gross***	***Accumulated amortisation***	***Impairment losses***	***Net***
Goodwill...	792		(792)	
Concessions, patents, licences, etc…	8,860	(7,004)		1,857
Total…………………………………..	**9,653**	**(7,004)**	**(792)**	**1,857**

12/31/2008 *(In thousands of euros)*	***Gross***	***Accumulated amortisation***	***Impairment losses***	***Net***
Goodwill...	792		(792)	
Concessions, patents, licences, etc…	8,983	(6,865)		2,118
Total…………………………………..	**9,775**	**(6,865)**	**(792)**	**2,118**

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

b) Change in intangible assets between January 1, 2008 and December 31, 2009

(In thousands of euros)	***Net***
Net carrying amount after amortisation and impairment losses at January 1, 2008….	**1,957**
Additions……	387
Goodwill arising on acquisitions……	
Amortisation expense for the year ……	(225)
Disposals……	(4)
Releases of amortisation during the period	3
Net carrying amount after amortisation and impairment losses at December 31, 2008….	**2,118**
Additions……	32
Goodwill arising on acquisitions……	
Amortisation expense for the year ……	(280)
Disposals……	(23)
Other……	10
Net carrying amount after amortisation and impairment losses at December 31, 2009….	**1,857**

NOTE 5. IMPAIRMENT TESTING

Evidence of impairment

At December 31, 2009, the Group observed evidence of impairment at the following cash-generating units (CGUs):

- **Zinc business**
  - CGU Harz-Metall GmbH

  In the zinc business, units suffered from weak demand for Waelz oxides (HMG GmbH and Recytech SA) and low zinc prices in the first half of 2009 (first half average: €990 a tonne). Demand for Waelz oxides recovered in the second half and zinc prices rose sharply to reach an average of €1,179 a tonne over the year.

  Norzinco SA shut down definitively in 2009.

- **Lead business**
  - CGU Weser Metall GmbH

  In the lead business, the Group's main lead smelter in Germany suffered from difficulties in sourcing secondary materials and low lead prices during the first half of 2009 (first half average: €995 a tonne). Despite a sharp increase in volumes for processing in the second half of 2009 and a rise in lead prices (annual average: €1,225 a tonne), it was unable to reach breakeven at operating income (LIFO) level.

- **Plastics business**
  - CGU C2P SAS
  - CGU C2P GmbH

- **Special metals business**
  - CGU PPM GmbH
  - CGU RMO GmbH

The Group performed an impairment test on these CGUs.

Impairment testing

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.

To determine value in use, the Group discounts estimated future cash flows over a period of five years, and calculates a terminal value. The terminal value is based on a perpetual growth rate of 1.5%.

The discount rate used to calculate value in use is the Group's after-tax weighted average cost of capital, which is 10.17%, unchanged from 2008. A specific weighted average cost of capital was calculated for the Special Metals business. The rate used was 10.9%.

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

- cost of equity: a risk-free rate, equal to the average ten-year OAT yield over a one-year period, a sector beta, a 5% market risk premium and a 2% specific risk premium;
- cost of debt: a spread of 3%;
- and a sector-average gearing figure for weighting the two components.

The key assumptions underpinning the Group's cash flow projections are:

Lead and Zinc: metal prices based on the latest available forecasts for the period 2010-2012 (and for 2013 and 2014, the price anticipated by the market for 2012) and for calculating the terminal value. The EUR/USD exchange rate used to calculate cash flows is based on an analysis of the historical correlation between lead prices and EUR/USD exchange rates (USD goes up when metal prices quoted in USD go down and vice-versa).

Special Metals: sales volume for germanium, arsenic and cadmium telluride.

Plastics: sales volume for polypropylene.

Test results and impairment recognised

The results of these tests revealed no need for any additional impairment of these CGUs or for any reversal of existing impairment.

Furthermore, there was no evidence of any fall in the recoverable value of individual assets below their carrying amount.

An impairment loss of €2.6 million was taken against the property, plant and equipment of the Harz Metall GmbH CGU (Zinc) at December 31, 2008. The results of the tests indicated that this impairment could be reversed. However, the Group decided not to do so in view of the strong sensitivity of this CGU's cash flow to changes in zinc prices, their high volatility and the difficulty in forecasting prices.

As regards the C2P GmbH CGU, the remaining amount of impairment loss provisions relating to the Group's industrial property, plant and equipment totals €2.6 million. At December 31, 2009, there was no evidence prompting the reversal of this impairment loss.

At December 31, 2009, the net carrying amount of the relevant production assets after impairment losses breaks down as follows:

12/31/2009	*CGU Harz-Metall GmbH*	*CGU Weser Metall GmbH*	*CGU C2P SAS*	*CGU C2P GmbH*	*CGU PPM GmbH*	*CGU RMO GmbH*
(In millions of euros)						
Gross value of production assets	38.9	108.8	6.6	5.7	61.9	3.4
Accumulated depreciation….	(32.2)	(74.7)	(4.0)	(3.1)	(56.1)	(0.5)
Impairment losses…..	(2.6)	0	0	(2.6)	0	0
Net value of production assets	**4.1**	**34.1**	**2.6**	**0**	**5.8**	**2.9**
Activity	Zinc	Lead	Plastics	Plastics	Special Metals	Special Metals
Valuation method	Discounted cash flow	Discounted cash flow	Discounted cash flow	Discounted cash flow	Discounted cash flow	Discounted cash flow

The assets of the Norzinco SA CGU were dismantled and derecognised during the first half of 2009.

At December 31, 2008, the net carrying amount of the relevant production assets after impairment losses breaks down as follows:

12/31/2008	*CGU C2P GmbH*	*CGU Norzinco SA*	*CGU Harz-Metall GmbH*	*CGU RMO GmbH*
(In millions of euros)				
Gross value of production assets.....................	5.7	5.3	37.6	3.4
Accumulated depreciation	(2.8)	(2.2)	(30.9)	(0.4)
Impairment losses..	(2.6)	(3.1)	(2.6)	0
Net value of production assets......................	**0.3**	**0**	**4.1**	**3.0**
Activity	Plastics	Zinc	Zinc	Special metals
Valuation method	Discounted cash flow	Liquidation values	Discounted cash flow	Discounted cash flow

<u>Sensitivity analysis:</u>

The Group has tested the sensitivity of the value in use of the two main CGUs to the key assumptions affecting the calculation of terminal value. These key assumptions are metal prices (zinc and lead) and the EUR/USD exchange rate.

Zinc business (CGU Harz-Metall GmbH):

- The recoverable amount of the Harz-Metall GmbH CGU exceeds its carrying amount[6] by €3.7 million;
- Over the cash flow projection period, an average zinc price of USD 2,550 a tonne and an average EUR/USD exchange rate of 1.46 were used. For calculating the terminal value, a zinc price of USD 2,080 a tonne and a EUR/USD exchange rate of 1.35 were used;
- For the recoverable amount to be equal to the carrying amount, the average price used to calculate the terminal value would have to be USD 2,045 a tonne at a constant EUR/USD exchange rate of 1.35;
- For the recoverable amount to be equal to the carrying amount, the EUR/USD exchange rate would have to be 1.37 at a constant zinc price of USD 2,080.

Lead business (CGU Weser Metall GmbH):

[6] Net carrying value of all the CGU's assets including property, plant and equipment and intangible assets, after deducting impairment losses and working capital requirement.

- The recoverable amount of the Weser Metall GmbH CGU exceeds its carrying amount by €10.6 million;
- Over the cash flow projection period, an average lead price of USD 1,953 a tonne and an average EUR/USD exchange rate of 1.46 were used. For calculating the terminal value, a lead price of USD 1,730 a tonne and a EUR/USD exchange rate of 1.35 were used;
- For the recoverable amount to be equal to the carrying amount, the average price used to calculate the terminal value would have to be USD 1,616 a tonne at a constant EUR/USD exchange rate of 1.35;
- For the recoverable amount to be equal to the carrying amount, the EUR/USD exchange rate would have to be 1.44 at a constant lead price of USD 1,730 a tonne.

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)	***12/31/2009***	***12/31/2008***
Available-for-sale financial assets	93,700	93,700
Loans and advances to investee companies	150,608	150,608
Loans	629	579
Other financial assets	333	333
Financial assets before impairment	245,270	245,220
Impairment	(244,423)	(244,422)
Non-current financial assets	**847**	**799**

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 12/31/2009***	***Net carrying amount of securities at 12/31/2008***
Metaleurop Nord	Paris	59,510	59,510
Metaleurop International Finance	Amsterdam	253	253
Penarroya Espagne	Cartagena	33,872	33,872
ME Trade España	Madrid	64	64
Penarroya Utah	Utah	1	1
Gross value of available-for-sale financial assets		93,700	93,700
Less impairment losses		(93,700)	(93,700)
Net value of available-for-sale financial assets		**0**	**0**

Metaleurop Nord SAS and Penarroya Espagne are in court-ordered liquidation, and were not consolidated at December 31, 2009 in accordance with IAS 27-21. The corresponding shares were fully written down.

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

NOTE 7. OTHER NON-CURRENT ASSETS

Other non-current financial assets (€5,303 thousand) mainly comprise funds received by Harz-Metall GmbH in the amount of €5 million following the settlement reached with TUI AG. These funds are dedicated to the future rehabilitation of certain sites in Germany (see notes 1 and 25), the cost of which has been provisioned.

In Germany, some pension obligations are covered by insurance contracts, amounting to €2,992 thousand at December 31, 2009 which are not appearing under non-current assets as they have been netted off against pension liabilities. At December 31, 2008, these contracts were recognised in "Other non-current assets" in an amount of €2,567 thousand.

These assets qualify as pension plan assets as they are exclusively dedicated to the payment of employee benefits, even in the event of the company's liquidation. They may therefore be deducted from the pension obligation. Accordingly, the sum of €2,992 thousand was reclassified and deducted from the pension obligation on the balance sheet date (see note 15).

NOTE 8. INVENTORIES

Inventories held by the Group break down as follows:

(In thousands of euros)	***12/31/2009***	***12/31/2008***
Raw materials	18,482	19,111
Work in progress..	27,809	21,318
Finished and semi-finished goods..	12,310	14,409
Sub-total...	58,601	54,838
Less impairment losses..	(751)	(10,631)
Net value of inventories and work in progress..	**57,850**	**44,207**

Inventories rose substantially in value in 2009 due to sharp rise in commodity prices (lead and zinc). Action taken to optimise the working capital requirement led to a sharp decrease in inventory volumes.

NOTE 9. TRADE RECEIVABLES

Trade receivables break down as follows:

(In thousands of euros)	***12/31/2009***	***12/31/2008***
Trade receivables (1)	39,124	29,380
Less impairment losses...	(5,469)	(4,764)
Net value of trade receivables......................................	**33,655**	**24,616**

(1) At December 31, 2009, in accordance with IAS 39, €390 thousand of discounted receivables not yet due on the balance sheet date were recognised as trade receivables under recourse factoring agreements and €8,715 thousand were derecognised under non-recourse factoring agreements. At December 31, 2008, receivables sold under non-recourse agreements amounted to €722 thousand and receivables sold under recourse agreements to €968 thousand.

In accordance with IAS 39, factoring transactions have been restated since 2009 (see note 2). Trade receivables have therefore been adjusted for receivables sold under factoring agreements. Until December 31, 2008, receivables sold were included in trade receivables and the corresponding liability to the financial institution was recognised under short-term financial liabilities. This reclassification had no material impact on trade receivables or short-term financial liabilities and the comparative data at December 31, 2008 have therefore not been restated.

Trade receivables do not bear interest and are generally payable in zero to sixty days. They have increased significantly by comparison with December 31, 2008 due to the sharp increase in commodity prices (lead and zinc) and the recovery in activity in the fourth quarter of 2009.

NOTE 10. OTHER CURRENT ASSETS

Other current assets break down as follows:

(In thousands of euros)	***12/31/2009***	***12/31/2008***
Advances and downpayments on orders in progress	2,567	1,633
Social security receivables..	504	389
Tax receivables..	3,545	3,806
Other receivables..	1,118	2,525
Prepaid expenses	280	302
Total other current assets	**8,014**	**8,655**

NOTE 11. CASH & CASH EQUIVALENTS

The Group's cash and cash equivalents include:

(In thousands of euros)	***12/31/2009***	***12/31/2008***
Cash at bank and in hand	45,870	71,078
Other short-term investments..	7,628	6,371
Total cash and cash equivalents	**53,498**	**77,450**

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

At December 31, 2009, the Group had €7,750 thousand of available credit facilities (of which €7,629 thousand are undrawn) for which drawdown conditions were satisfied.

NOTE 12. ISSUED CAPITAL AND RESERVES

Share capital and share premiums

The share capital comprised 23,959,982 fully paid-up shares with par value of €2 each at December 31, 2009.

The share capital increased from €47,916 million to €47,920 million through the creation of 2,000 new shares following the exercise of stock options between January 1 and December 31, 2009.

Ordinary shares in issue and fully paid-up	***Number of shares***	***Par value*** *(In euros)*	***Share capital*** *(In thousands of euros)*	***Share premiums*** *(In thousands of euros)*
At January 1, 2009……………………………	**23,957,982**	**2.00**	**47,916**	**783**
Issuance of shares following exercise of stock options between January 1 and December 31, 2009	2,000	2.00	4	0
At December 31, 2009....................................	**23,959,982**	**2.00**	**47,920**	**783**

Treasury shares

At December 31, 2009, the Group owned 73,939 treasury shares, unchanged relative to December 31, 2008. These treasury shares were bought by the company between September 2000 and June 2001 as part of a share buyback programme authorised by shareholders in the March 30, 2000 Annual General Meeting. Their average purchase price was €6.81. Treasury shares are deducted from equity.

	12/31/2009	***12/31/2008***
Number of treasury shares	73,939	73,939
Value of treasury shares held (In thousands of euros)......................................	504	504

Stock options and free share allocations

Details of existing plans

At the Annual General Meetings of June 26, 1995 and March 30, 2000, shareholders authorised the introduction of stock option plans. Between 1998 and 2002, the Management Board granted stock options under these authorisations

On September 26, 2008, Recylex SA's Board of Directors granted stock options and free shares. The Board of Directors had been authorised to make these grants of free shares by the General Meetings of July 16, 2007 and May 6, 2008, and grants of stock options by the General Meeting of July 28, 2006.

Stock options

The options granted are equity-settled share-based payment transactions within the meaning of IFRS 2.

The main characteristics of stock option plans in force at December 31, 2009 and likely to give rise to the creation of shares through the exercise of options, are as follows:

Date of grant (date of Management Board/Board of Directors meeting)	***05/03/2000***	***09/20/2002***	***09/26/2008***
Number of options granted...........	253,900	275,650	540,000
Subscription price.........................	€7.50	€2.21	€5.70
Vesting period	4 years	4 years	4/5 years [1)]
Life of options...............................	10 years	10 years	10 years

[1)] 50% of options vest after a period lasting for four years from the date of the relevant Board meeting, and the other 50% after a period lasting for five years from the Board meeting.

The vesting of options depends on the beneficiary still being employed at a Group company (i.e. at Recylex SA or a company in which it owns at least 50% of the voting rights or capital) on the vesting date, unless otherwise provided for by the plan.

Changes in the number of options outstanding in 2009 break down as follows:

Date of grant	Number of options outstanding at 12/31/2008	Number of options granted during the period	Number of options exercised during the period	Number of options lapsed during the period	Number of options outstanding at 12/31/2009	Strike price (in euros)	Plan expiry
04/26/1999	119,000			(119,000)	0	5.3	04/25/2009
05/03/2000	64,900				64,900	7.5	05/02/2010
09/20/2002	67,900		(2,000)		65,900	2.21	09/19/2012
09/26/2008	540,000 [1)]			(5,000) [2)]	535,000[1)]	5.7	09/25/2018
Total	**791,800**		**(2,000)**	**(124,000)**	**665,800**	**5.5**	

1) *These 540,000 options are not in circulation: 50% of them will not vest and cannot be exercised until September 26, 2012 and 50% until September 26, 2013.*

2) *Under the September 26, 2008 plan, these options cannot vest as the beneficiary no longer fulfils the vesting conditions.*

Free shares

The General Meetings of July 16, 2007 and May 6, 2008 authorised the Board of Directors to allocate, in one or more sections, existing treasury shares held by the Company up to a total not exceeding 73,939 shares, to the benefit of all or some of the employees and/or company officers of the Company and/or related companies as defined in article L. 225-197-2 of the French Commercial Code.

On September 26, 2008, Recylex SA's Board of Directors introduced a plan to allot 50,000 free shares to the Group's employees and corporate officers. These shares will vest after two years (on September 26, 2010) for beneficiaries residing in France and after four years (on September 26, 2012) for beneficiaries residing in Germany, subject to their being employed by a Group company on the vesting date, unless otherwise provided for by the plan. Vested shares held by beneficiaries residing in France must be held for a minimum period of two years after vesting (ending on September 26, 2012).

Number of instruments in circulation and/or in the vesting period

Transactions in 2009 involving share-based payment instruments can be summarised as follows:

	Stock options		Free shares		
	Number of options	Contractual residual life	Number of shares	Contractual residual life	
		Total		France	Germany
Balance at 12/31/2008	**791,800**	7.12	50,000	1.75	3.79
- allotted	-		-	-	-
- cancelled	(124,000)	-	-	-	-
- exercised	(2,000)	-	-	-	-
Balance at 12/31/2009	**665,800**	**7.33**	**50,000**	**0.75**	**2.77**

Accounting impact of instruments allotted in 2008

In accordance with IFRS 2, share-based payment instruments are recognised as staff costs to the extent of the fair value of instruments allotted, measured at the allotment date. This expense is spread over the vesting period. The total expense amounts to €846 thousand for stock options and €221 thousand for free shares.

The accounting charge in 2009 was €186 thousand for stock options and €88 thousand for free shares.

NOTE 13. INTEREST-BEARING BORROWINGS

Analysis of borrowings

a) Current portion of borrowings and debt

(In thousands of euros)	***12/31/2009***	***12/31/2008***
Portion due in less than one year	3,541	2,787
Discounted receivables	390	1,690
Commitments to buy out minority investors		0
Total	**3,932**	**4,477**

In accordance with IAS 39, factoring transactions have been restated since 2009 (see note 2). Trade receivables have therefore been adjusted for receivables sold under factoring agreements. Until December 31, 2008, receivables sold were included in trade receivables and the corresponding liability to the financial institution was recognised under short-term financial liabilities. This reclassification had no material impact on trade receivables or short-term financial liabilities and the comparative data at December 31, 2008 have therefore not been restated.

b) Non-current borrowings and debt

(In thousands of euros)	***12/31/2009***	***12/31/2008***
Portion due in more than one year	9,455	11,077
Total	**9,455**	**11,077**

Repayment schedule of non-current borrowings

(In thousands of euros)	***12/31/2009***			***12/31/2008***
	From 1 to 5 years	***More than 5 years***	***Total***	
Bank borrowings	9,353	102	9,455	11,077
Interest-bearing borrowings	**9,353**	**102**	**9,455**	**11,077**

NOTE 14. PROVISIONS

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

a) Provisions at December 31, 2008 and December 31, 2009

(In thousands of euros)	***12/31/2009***	***12/31/2008***
Current provisions		
Environmental provisions	9,672	12,512
Litigation	529	1,494
Restructuring	30	

Other risks and charges	882	580
	11,113	14,586
Non-current provisions		
Environmental provisions	21,412	20,614
Litigation	3,347	15,310
Restructuring	282	275
Other risks and charges	1,104	3,071
	26,144	39,270
Total provisions	**37,257**	**53,856**

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

b) Change in provisions at December 31, 2008 and at December 31, 2009

(In thousands of euros)	***Provisions at 12/31/2008***	*Additions during the period*	*Discounting*	*Reclassification*	***Release of provisions used***	***Release of provisions not used***	***Provisions at 12/31/2009***
Environmental provisions (note 38)	33,126	1,669	506	(26)	(3,310)	(881)	31,084
Litigation	16,803	60	1,965		(12,421)	(2,532)	3,876
Restructuring	275	42			(6)		312
Other risks and charges	3,652	606		53	(626)	(1,700)	1,985
Total provisions	**53,856**	**2,378**	**2,471**	**27**	**(16,363)**	**(5,113)**	**37,257**

Provisions for litigation:

On December 18, 2009, the Douai Appeal Court partially upheld the labour tribunal rulings awarding compensation to former unprotected employees and ordering Recylex SA to include the compensation totalling €12,421 thousand in its continuation plan (note 1). As the Recylex Group had provided for these claims in full (€14,953 thousand) at December 31, 2008, the entire provision was reversed and the sum of €12,421 thousand recognised in Recylex SA's continuation plan liabilities under "Other current liabilities" (note 17) and "Other Non-current liabilities" (note 18).

On September 15, 2009, the Lens labour tribunal (Management section) found that Recylex SA was the co-employer of 90 former management employees of Metaleurop Nord SAS. It awarded each claimant the identical sum of €30,000 in damages and €300 in expenses and ordered Recylex SA to include these sums, totalling €2,727 thousand, in its continuation plan liabilities, payable in instalments. The Company has appealed against these decisions, thus suspending enforcement. The total amount of compensation claimed has been provided for in the financial statements of Recylex SA.

The decrease in provisions for other risks and charges stems from a reversal of provisions for tax risks in Germany and the use of provisions related to the discontinuation of Norzinco SA's business.

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, 2008 and December 31, 2009

(In thousands of euros)	***12/31/2009***	***12/31/2008***
Post employment benefits – Current obligations	2,214	2,253
Post employment benefits – Non-current obligations	24,955	28,353
Post employment benefits – Total obligations	27,169	30,606

b) Change in provisions at December 31, 2008 and at December 31, 2009

(In thousands of euros)	Provisions at 12/31/2008	Additions during the period	Reversals during the period	Reclassification	Provisions at 12/31/2009
Post-employment benefit obligations – Pension liabilities	30,606	1,796	(2,666)	(2,567)	27,169

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

	Germany		France		Total	
(In thousands of euros)	***12/31/2009***	***12/31/2008***	***12/31/2009***	***12/31/2008***	***12/31/2009***	***12/31/2008***
Change in benefit obligations						
Total current value of benefit obligations at the beginning of the financial year	30,471	30,803	504	560	30,976	31,363
Current service cost during the financial year	164	152	16	26	180	177
Interest expense	1,617	1,517	19	32	1,636	1,549
Transfers	-	-	-	-	-	-
Actuarial gains/(losses)	3,391	(34)	(28)	(102)	3,363	(136)
Plan amendments	-	-	-	-	-	-
Curtailments/settlements	-	-	-	-	-	-
Benefits paid	2,129	1,967	147	10	2,276	1,977
Other	-	-	-	-	-	-
Total current value of benefit obligations at the end of the financial year	33,515	30,471	365	504	33,880	30,976
Of which partially or fully funded plans	28,872	-	-	-	28,872	-
Of which unfunded plans	4,643	30,471	365	504	5,008	30,976
Plan assets	(2,992)	-	-	-	(2,992)	-
Total current value of benefit obligations at the end of the financial year	33,515	30,471	365	504	33,880	30,976
Unrecognised actuarial gains and losses	(3,850)	(501)	131	131	(3,719)	(370)
Liabilities recognised on the balance sheet	26,673	29,971	496	635	27,169	30,606
Of which, current portion					2,214	2,253

In Germany, some obligations are covered by insurance contracts, amounting to €2,992 thousand at December 31, 2009:

	Amounts (in thousands of euros)
Plan assets at December 31, 2008	2,567
Return on plan assets	35
Contributions paid	390
Plan assets at December 31, 2009	**2,992**

Until December 31, 2008, these amounts were recognised as assets on the balance sheet. These assets qualify as pension plan assets as they are exclusively dedicated to the payment of employee benefits, even in the event of the company's liquidation. They may therefore be deducted from the pension obligation.

Experience adjustments arising from benefit obligations amounted to €70 thousand of gains at December 31, 2009, compared with €530 thousand of losses at December 31, 2008. The amounts are amortised using the corridor method: only actuarial gains and losses exceeding 10% of the higher of debt and assets at the start of the period are recognised over the average remaining working lives of employees covered by the plan.

Pension costs recognised break down as follows:

(In thousands of euros)	**Germany**		**France**		**Total**	
	12/31/2009	***12/31/2008***	***12/31/2009***	***12/31/2008***	***12/31/2009***	***12/31/2008***
Current service cost during the financial year	164	152	16	26	180	177
Interest expense	1,617	1,517	19	32	1,636	1,549
Return on plan assets	(35)				(35)	
Amortisation of actuarial gains and losses	42	(118)	(28)	(14)	14	(132)
Settlement impact	-	-	-	-	-	-
Other	-	-	-	-	-	-
Net periodic costs	**1,789**	**1,550**	**7**	**43**	**1,796**	**1,594**

Amounts recognised on the balance sheet changed as follows:

(In thousands of euros)	**Germany**		**France**		**Total**	
	12/31/2009	***12/31/2008***	***12/31/2009***	***12/31/2008***	***12/31/2009***	***12/31/2008***
Amount (provisioned)/recognised as an asset at the beginning of the financial year	29,971	30,387	635	602	30,606	30,989
Net periodic costs	1,789	1,550	7	43	1,796	1,594
Contributions/benefits paid	(2,519)	(1,967)	(147)	(10)	(2,666)	(1,977)
Other recognition of plan assets	(2,567)	-			(2,567)	-
Amount (provisioned)/recognised as an asset at the end of the financial year	**26,673**	**29,971**	**496**	**635**	**27,169**	**30,606**

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

Germany:

			Germany		
(In thousands of euros)	***12/31/2005***	***12/31/2006***	***12/31/2007***	***12/31/2008***	***12/31/2009***
Total current value of benefit obligations at the end of the financial year	33,732	32,551	30,803	30,471	33,515
Market value of plan assets at the end of the financial year	-	-	-	-	(2,992)
Coverage of benefit obligations	**33,732**	**32,551**	**30,803**	**30,471**	**30,523**

France:

(In thousands of euros)	France 12/31/2005	12/31/2006	12/31/2007	12/31/2008	12/31/2009
Total current value of benefit obligations at the end of the financial year	582	592	560	504	365
Market value of plan assets at the end of the financial year	-	-	-	-	-
Coverage of benefit obligations	**582**	**592**	**560**	**504**	**365**

Actuarial assumptions

The assumptions underpinning measurements at the 2008 and 2009 balance sheet dates are presented below:

	Germany		France	
(In thousands of euros)	***12/31/2009***	***12/31/2008***	***12/31/2009***	***12/31/2008***
Discount rate	4.50%	5.50%	4.50%	5.50%
Salary increase assumptions	2.50%	2.25%	2.00%	2.00%

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	(973)	(4)
0.25% decrease in discount rate	914	4
1% increase in discount rate	(3,479)	(15)
1% decrease in discount rate	4,128	17

Since Recylex SA has elected to use the corridor method 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, 2009.

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 €20.1 thousand during 2009 and related solely to FMM SA (Belgium). The contributions expensed in prior years for the supplementary pension break down as follows:

Years	Contribution (In thousands of euros)
2009	20.1
2008	14.0
2007	7.1
2006	9.6

There is also a disability benefit, which amounted to €2.7 thousand for 2009.

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

The total number of theoretical training hours corresponding to vested rights stood at around 7,916. The actual amount of activations requested stood at 125 during 2009. In accordance with opinion no. 2004-F issued by the *Comité d'Urgence* (interpretations committee) of the *Conseil National de la Comptabilité* (national 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 Group's trade payables break down as follows:

(In thousands of euros)	***12/31/2009***	***12/31/2008***
Trade payables	19,709	16,451
Total trade payables...	**19,709**	**16,451**

Trade payables do not bear interest and are generally payable within zero to ninety days.

NOTE 17. OTHER CURRENT LIABILITIES

Other current liabilities break down as follows:

(In thousands of euros)	***12/31/2009***	**12/31/2008**
Liabilities rescheduled under the continuation plan (note 18)	6,293	1,713
Tax and social security liabilities...	6,677	10,389
Liabilities related to non-current assets..	67	249
Other liabilities	2,437	8,570
Prepaid income...	527	8
Fair value of underlying hedged risk	122	54
Total	**16,123**	**20,983**

On December 18, 2009, the Douai Appeal Court partially upheld the labour tribunal rulings awarding compensation to former unprotected employees and ordering Recylex SA to include the compensation totalling €12,421 thousand in its continuation plan (note 1).

24% of the total compensation, corresponding to the first four instalments of the plan (2006 to 2009) was paid on February 18, 2010. The balance will be paid on November 24 each year as follows: 10% in 2010, 10% in 2011, 12% in 2012, 12% in 2013, 16% in 2014 and 16% in 2015. The compensation payable in 2010 amounts to €4,223 thousand (34% of the total) and has been recognised under "Liabilities rescheduled under the continuation plan".

The decrease in tax and social security liabilities was principally attributable to the reduction in income tax and business tax liabilities at German companies Recylex GmbH and Weser Metall GmbH.

The decrease in other liabilities was due to the settlement reached by subsidiaries PPM GmbH and Harz-Metall GmbH with TUI AG (see notes 1 and 25).

NOTE 18. LIABILITIES RESCHEDULED UNDER THE CONTINUATION PLAN

Following the declaration of cessation of payments by Metaleurop SA (now Recylex SA) on October 21, 2003 and the commencement of administration proceedings on November 13, 2003, the Company's outstanding liabilities were frozen at that 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 is presented under commitments and contingencies in note 30.5.

- 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 has thus been recognised in income at the date on which the continuation plan was agreed.

The fair value of the new liability is equal to the discounted value of the cash flows provided for in the continuation plan. The discount rate adopted is a risk-free interest rate of 2.38% (five-year BTAN 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.

Analysis of rescheduled liabilities, current *(In thousands of euros)*	***12/31/2009***	***12/31/2008***
Bank borrowings	16	12
Miscellaneous financial liabilities (including accrued interest)	1,379	1,103
Trade payables	113	92
Tax and social liabilities	94	77
Miscellaneous liabilities	4,826	483
Current rescheduled liabilities under the continuation plan prior to discounting	6428	1767
Impact of discounting cash flows	(135)	(54)
Current rescheduled liabilities under the continuation plan after discounting	**6,293**	**1,713**

Nature of non-current rescheduled liabilities *(In thousands of euros)*	***12/31/2009***	***12/31/2008***
Subsidised loans	-	-
Bank borrowings	102	117
Miscellaneous financial liabilities (including accrued interest)	9,099	10,478
Trade payables	712	824
Miscellaneous financial liabilities	622	735
Miscellaneous liabilities	12,180	4,586
Non-current rescheduled liabilities under the continuation plan prior to discounting	22,715	16,741
Impact of discounting cash flows	(2,098)	(2,489)
Non-current rescheduled liabilities under the continuation plan after discounting	**20,617**	**14,252**

Non-current rescheduled liabilities (by maturity)	***12/31/2009***		
(In thousands of euros)	***From 1 to 5 years***	***More than 5 years***	***Total***
Non-current rescheduled liabilities before discounting	17,208	5,507	22,715

NOTE 19. OPERATING SEGMENTS

IFRS 8 – Operating segments

The Group opted for early application as of December 31, 2008 of IFRS 8 (Operating segments), as published by the IASB and adopted by the European Union on November 22, 2007.

The information presented is based on internal reporting used by management to assess the performance of the various segments. Reported segment income consists of operating income before non-recurring items.

The Group has five main segments:

- The **Lead** segment, which includes the French and German battery breaking activities and the primary smelting (Nordenham, Germany) and secondary smelting (FMM, Belgium) activities.
- The **Zinc** segment includes the recycling of steelwork particles (production of Waelz oxides at the Harz Metall GmbH plant in Germany and the Recytech plant in France) and the recycling of zinc-bearing waste (production of zinc oxide by Norzinco GmbH in Germany and Norzinco SA in France until its discontinuation).
- The **Special metals** segment, which combines the activities of PPM GmbH and RMO GmbH in Germany (custom production of very-high-purity metals).
- The **Plastics** segment, which combines the activities of C2P SAS in France and C2P GmbH in Germany (recycling of plastic materials).
- The **Other businesses** segment includes the activities of parent company Recylex SA, the activities of the group's other commercial and administrative entities and the activities related to the rehabilitation of former industrial and mining sites in France and Germany.

To assess the performance of its **Lead** operating segment, in its internal reporting the group uses the LIFO (last in first out) method to measure inventories for its main smelter in Germany (Nordenham). At this plant, the Recylex Group holds lead inventories in the form of raw materials, semi-finished goods and finished goods. These inventories are essential to the plant's operations. They are turned over continuously and remain relatively stable in volume. The measurement of the aforementioned inventories at Nordenham using the average weighted cost (AWC) method[7] introduces an economic factor that, because of the high volatility of lead prices, may make it hard to assess the performance of the plant, and therefore of the Group's Lead operating segment.
As a result, in its internal reporting, the Recylex Group analyses its Lead operating segment using the LIFO method for the measurement of inventories at Nordenham, and reconciles these data with accounts prepared in accordance with IFRS, in which the average weighted cost (AWC) method is used).

Operating segments

The tables below set out, for each operating segment, revenue, IFRS-compliant operating income before non-recurring items (for the Lead segment, operating income before non-recurring items using the LIFO method), net financial items, tax expenses and net income for 2009 and 2008.

Each column of the table below contains figures specific to each segment, which is analysed as an independent entity. The "Eliminations" column shows eliminations of intra-group transactions, allowing reconciliation of segment data with the group's financial statements.

All inter-segment commercial relationships are conducted on a market basis, on identical terms and conditions to those prevailing for the provision of goods and services to external customers.

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

Financial year ended December 31, 2009:

(In thousands of euros)	*Lead*	*Zinc*	*Special Metals*	*Plastics*	*Other businesses*	*Eliminations*	*Total*
Sales to external customers…………	203,547	51,659	17,177	8,169	252		280,804
Inter-segment sales……………………	3,690	3	25	1,866		(5,584)	
Total sales……………………………..	**207,237**	**51,662**	**17,202**	**10,035**	**252**	**(5,584)**	**280,804**
Operating income before non-recurring items (LIFO)	**2,230**	**(1,674)**	**(2,048)**	**(226)**	**(6,013)**		**(7,731)**
LIFO > AWC adjustment	11,693						**11,693**
Reported operating income before non-recurring items (IFRS)	**13,923**	**(1,674)**	**(2,048)**	**(226)**	**(6,013)**		**3,962**
Other non-recurring operating income/(expense)………………………	4	146		(94)	14,600		**14,656**
Net financial items………………………	(712)	207	(250)	(124)	(2,999)		**(3,877)**
Income tax benefit/(expense)…………	1,471	(470)	(55)	(34)	(6,588)		**(5,676)**
Reported net income (IFRS)	**14,686**	**(1,791)**	**(2,353)**	**(478)**	**(1,000)**		**9,065**

(In thousands of euros)	**Lead**	**Zinc**	**Special Metals**	**Plastics**	**Other businesses**	**Total**
Intangible assets	243	637	975		1	1,857
Property, plant and equipment	45,458	12,996	8,607	2,514	3,291	72,866
Inventories[8]	39,518	6,149	10,505	1,677		57,850
Trade receivables.....................................	23,485	6,606	2,125	1,266	172	33,655
Total segment assets	**108,705**	**26,388**	**22,213**	**5,457**	**3,463**	**166,228**

Provisions and pension liabilities............	17,320	3,269	1,973	60	41,804	64,426
Trade payables	13,487	4,194	451	471	1,106	19,709
Other current liabilities	3,417	2,838	1,296	838	7,734	16,123
Segment liabilities	**34,224**	**10,300**	**3,720**	**1,370**	**50,645**	**100,259**

Property, plant and equipment	3,910	2,415	1,387	89	14	7815
Intangible assets	26	6				32
Investments	**3,936**	**2,421**	**1,387**	**89**	**14**	**7,847**
Additions to property, plant and equipment	(5,879)	(2,762)	(744)	(757)	(115)	(10,256)
Additions to intangible assets	(163)	(72)	(44)			(280)
Other non-cash expenses	8,061	731	(77)	485	3,300	12,500
Depreciation, amortisation and additions to provisions	**2,019**	**(2,103)**	**(865)**	**(272)**	**3,185**	**1,964**

[8] Lead inventories, measured using the LIFO method, totalled €26,964 thousand at 12/31/2009.

Financial year ended December 31, 2008:

(In thousands of euros)	*Lead*	*Zinc*	*Special Metals*	*Plastics*	*Other businesses*	*Eliminations*	*Total*
Sales to external customers…………..	245,574	81,923	25,326	14,234			367,058
Inter-segment sales…………………….	4,867		1	1,704		(6,572)	
Total sales………………………………	**250,442**	**81,923**	**25,327**	**15,938**		**(6,572)**	**367,058**
Operating income before non-recurring items (LIFO)	**3,113**	**(3,496)**	**1,991**	**5**	**(9,072)**		**(7,459)**
LIFO > AWC adjustment	(20,408)						
Reported operating income before non-recurring items (IFRS)	**(17,295)**	**(3,496)**	**1,991**	**5**	**(9,072)**		**(27,868)**
Other non-recurring operating income/(expense)	(1)	(7,446)	0	0	(15,147)		**(22,594)**
Net financial items……………………….	(2,211)	(529)	(24)	(246)	649		**(2,361)**
Income tax benefit/(expense)………….	4,478	466	(264)	16	(1,597)		**3,099**
Reported net income (IFRS)	**(15,030)**	**(11,005)**	**1,703**	**(226)**	**(25,166)**		**(49,723)**

(In thousands of euros)	*Lead*	*Zinc*	*Special Metals*	*Plastics*	*Other*	*Total*
Intangible assets	377	698	1019	0	24	2,118
Property, plant and equipment	47,250	13,533	7,964	3,314	3,341	75,401
Inventories [(5)]	21,724	7,036	13,087	2,359	0	44,207
Trade receivables....................................	12,857	7,475	2,202	1,243	840	24,616
Total segment assets	**82,208**	**28,742**	**24,272**	**6,915**	**4,205**	**146,342**

[(5)] Inventories in the Lead segment, measured using the LIFO method, totalled €20,863 thousand at December 31, 2008.

Provisions and pension liabilities...........	20,818	4,637	2,294	373	56,340	84,462
Trade payables	8,928	4,599	566	882	1,477	16,451
Other current liabilities	5,362	4,755	7,084	582	3,200	20,983
Segment liabilities	**35,108**	**13,991**	**9,944**	**1,837**	**61,017**	**121,896**

Property, plant and equipment	8,980	4,075	993	309	336	14,694
Intangible assets	378	9				387
Investments	**9,358**	**4,084**	**993**	**309**	**336**	**15,081**
Additions to property, plant and equipment	(5,768)	(3,251)	(727)	(777)	(55)	(10,578)
Additions to intangible assets	(106)	(75)	(44)			(226)
Other non-cash expenses	379	(8,757)	15	(278)	(16,899)	(25,541)
Depreciation, amortisation and additions to provisions	**(5,495)**	**(12,083)**	**(756)**	**(1,055)**	**(16,954)**	**(36,344)**

Geographical zones

The items below are broken down as follows: sales are broken down by customer marketing area, while investments and assets are broken down according to the countries in which consolidated companies are based.

In accordance with IFRS 8, non-current assets broken down by geographical zone are non-current assets other than financial instruments, deferred tax assets and pension plan assets.

Financial year ended December 31, 2009

	Western Europe	***Other Europe***	***Americas***	***Rest of the world***	***Total***
(In thousands of euros)	235,255	33,535	3,555	8,459	280,804
Total sales ………………………………					

	France	***Germany***	***Belgium***	***Total***
(In thousands of euros)				
Investment (property, plant and equipment and intangible assets)	1,677	5,705	433	7,815
Non-current assets excluding tax and financial assets..	5	28		32

Financial year ended December 31, 2008:

	Western Europe	***Other Europe***	***Americas***	***Rest of the world***	***Total***
(In thousands of euros)					
Total sales ………………………………	325,379	20,295	4,646	16,727	367,058

	France	***Germany***	***Belgium***	***Total***
(In thousands of euros)				
Investment (property, plant and equipment and intangible assets)	3,684	11,051	346	15,081
Non-current assets excluding tax and financial assets..	16,196	59,855	1,468	77,519

Structure of sales

Sales in the Lead segment come from a limited number of customers. In 2009, 61% of the Group's consolidated sales were to ten customers. Two of these customers each account for slightly more than 10% of the Group's total sales in 2009.

Sales in the other operating segments, particularly Zinc, where the customer base is highly fragmented, come from a large number of customers.

NOTE 20. EXTERNAL COSTS

External costs break down as follows:

(In thousands of euros)	*December 31, 2009*	*December 31, 2008*
General sub-contracting	(12,593)	(15,944)
Maintenance and repairs	(9,119)	(13,816)
Insurance premiums	(1,480)	(2,213)
Goods transportation and public transportation	(13,218)	(12,363)
Leasing, rental and service charges	(2,037)	(2,615)
Fees and external labour costs	(3,197)	(4,535)
Travel and entertainment expenses	(689)	(795)
Other external expenses	(1,862)	(3,221)
Total external costs	**(44,195)**	**(55,503)**

External costs fell by €11.3 million compared with 2008, due to the cost-cutting plan implemented by the Group in 2009 and the postponement of certain maintenance programmes.

NOTE 21. STAFF COSTS

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

	December 31, 2009	*December 31, 2008*
Belgium	25	23
France	84	118
Germany	550	531
Total FTE employees	**659**	**672**

Staff costs break down as follows:

(In thousands of euros)	*December 31, 2009*	*December 31, 2008*
Wages and salaries	(32,904)	(35,095)
Payroll (employer and employee) costs	(7,392)	(7,533)
Total staff costs	**(40,296)**	**(42,629)**

The fall in staff costs was due to a decrease in headcount following the closure of the Norzinco SA plant and temporary layoffs at some plants in Germany and France.

NOTE 22. RESEARCH AND DEVELOPMENT COSTS

Research and development costs expensed directly in income amounted to:

(In thousands of euros)	*December 31, 2009*	*December 31, 2008*
Research and development costs	(714)	(845)

NOTE 23. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

Depreciation, amortisation and impairment losses recognised in 2009 and 2008 break down as follows:

(In thousands of euros)	December 31, 2009	December 31, 2008
Depreciation of property, plant and equipment	(10,256)	(10,578)
Amortisation of intangible assets	(280)	(226)
Provisions and impairment losses	8,610	(2,716)
Total depreciation, amortisation and impairment losses	**(1,926)**	**(13,520)**

Provisions and impairment losses (gain) mainly comprise the reversal of impairment losses against lead inventories at the Nordenham smelter in Germany following the sharp rise in lead prices since the end of 2008.

NOTE 24. OTHER OPERATING INCOME AND EXPENSE

Other operating income and expense breaks down as follows:

(In thousands of euros)	December 31, 2009	December 31, 2008
Operating subsidies	1	55
Other income and expense	1,286	1,661
Other operating income and expense	**1,287**	**1,716**

NOTE 25. OTHER NON-RECURRING OPERATING INCOME AND EXPENSE

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

(In thousands of euros)	December 31, 2009	December 31, 2008
Gain following a waiver of debt (1)	5,988	-
Sums received for the rehabilitation of old sites (1)	5,000	
Additions to provisions and additional costs incurred at the L'Estaque plant	(729)	(527)
Impact of the continuation plan (4)	29	220
Provision for labour court litigation (2)	2,532	(15,539)
Additions to provisions relating to the discontinuation of Norzinco SA's activities	(478)	(1,893)
Settlement of a dispute	877	-
Impairment losses on Norzinco SA and Harz Metall GmbH assets	-	(5,426)
Other (3)	1,437	571
Total other non-recurring operating income and expense	**14,656**	**(22,594)**

(1) During the second quarter of 2009, two of the Group's German subsidiaries – Harz-Metall GmbH and PPM Pure Metals GmbH – reached a settlement with the TUI group (see note 1) on the rehabilitation of certain sites in Germany belonging to these subsidiaries. The accounting impact at Group level is as follows:

- Recognition of a €5.9 million gain following the waiver of a debt granted to the Group (see note 17).
- Recognition of a €5.0 million gain following the constitution of a rehabilitation fund (see note 7).

(2) On December 18, 2009, the Douai Appeal Court partially upheld the labour tribunal rulings awarding compensation to former unprotected employees and ordering Recylex SA to include the compensation totalling €12,421 thousand in its continuation plan liabilities (see note 1). As the Recylex Group had provided for these claims in full (€14,953 thousand) at December 31, 2008, the entire provision was reversed and the sum of €12,421 thousand included in Recylex SA's continuation plan liabilities under "Other current liabilities" (note 17) and "Other Non-current liabilities" (note 18). This led to a gain of €2,532 thousand.

(3) The €1,437 thousand gain mainly comprises the reversal of tax risk provisions taken by two German subsidiaries.

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

(In thousands of euros)	*December 31, 2009*	*December 31, 2008*
Waiver of debt granted to the Recylex group		
Liabilities extinguished based on the terms agreed under the continuation plan..	29	36
Impact of debt waivers and extinguishments following acceptance of the continuation plan	***29***	***36***
Liabilities declared during the financial year		
Additions to and reversals of provisions for litigation on disputed claims under the plan		184
Total	**29**	**220**

NOTE 26. NET INTEREST EXPENSE

(In thousands of euros)	*December 31, 2009*	*December 31, 2008*
Interest income from cash and cash equivalents.................................	807	2,637
Interest expense on bank and non-bank borrowings and bank overdrafts………………………………………………………………..	(894)	(934)
Net interest expense...	**(87)**	**1,702**

Interest expense on net debt breaks down as follows:

NOTE 27. OTHER FINANCIAL INCOME AND EXPENSE

(In thousands of euros)	*December 31, 2009*	*December 31, 2008*
Net foreign exchange gains and losses...	79	(428)
Impact of discounting provisions and liabilities	(2,782)	(2,494)
Factoring costs	(381)	(729)
Other financial income and expense..	(708)	(412)
Other financial income and expense..	**(3,790)**	**(4,063)**

NOTE 28. INCOME TAXES

Income tax expense for the financial years ended December 31, 2008 and 2009 principally comprises the following items:

(In thousands of euros)	***December 31, 2009***	***December 31, 2008***
Current income tax benefit/(expense	3,318	(1,440)
Current income tax benefit/(expense)	**3,318**	**(1,440)**
Arising from the creation and reversal of temporary differences	(7,604)	13,287
Related to tax loss carryforwards	(1,390)	(8,747)
Deferred income tax benefit/(expense)	**(8,994)**	**4,539**
Consolidated income tax expense	**(5,676)**	**3,099**

The deferred income tax expense is mainly due to the following:

- The difference in measurement of the Nordenham plant inventory (LIFO under German GAAP and weighted average unit cost under IFRSs) increases Weser Metall GmbH's net income by €11.7 million under IFRS, giving rise to a deferred tax benefit of €3.4 million.

- The €14.9 million reversal of provisions for litigation pending (see note 14) taken in Recylex SA's financial statements is not tax deductible, giving rise to a deferred tax charge of €5 million.

- The €1.3 million income tax expense related to tax loss carryforwards is due to lower than anticipated use of tax loss carryforwards in 2009 and to a decrease in the amount of deferred tax assets recognised in respect of tax losses because of the business outlook.

The reconciliation between the actual tax expense and the theoretical tax expense is as follows for 2009 and 2008:

Reconciliation between actual income tax expense and the amount theoretically payable

(In thousands of euros)	***December 31, 2009***	***December 31, 2008***
Net income before tax	14,741	(52,823)
Group tax rate	33.33%	33.33%
Theoretical income tax expense	**(4,913)**	**17,606**
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	(5,742)	(13,470)
- taxes at reduced rates	743	(1,303)
- reimbursement of taxes following tax audits	4,549	
- other differences	(313)	266
Actual tax expense	**(5,676)**	**3,099**

Deferred tax assets and liabilities

(In thousands of euros)	*December 31, 2009*	*December 31, 2008*
Deferred tax assets		
Provisions added back for tax purposes	10,218	15,390
Additional provision for employee benefits	1,670	1,783
Additional provision for impairment of non-current assets	1,458	1,458
Change in inventory valuation method at German units	-	7
Other temporary differences	419	418
Tax loss carryforwards	3,600	4,989
Offset of deferred tax assets and liabilities at the same taxable entity	(8,859)	(7,380)
Total	**8,506**	**16,665**
Deferred tax liabilities		
Restatement of expected useful life of non-current assets	(5,947)	(6,587)
Change in inventory valuation method at German units	(3,842)	(317)
Discounting of provisions and liabilities	(1,267)	(2,211)
Deferred tax on hedge accounting	(5)	(667)
Other temporary differences	(222)	(112)
Offset of deferred tax assets and liabilities at the same taxable entity	8,859	7,380
Total	**(2,424)**	**(2,515)**
Net deferred taxes	**6,082**	**14,150**

For the financial years ended December 31, 2009 and December 31, 2008, 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 €3.6 million at December 31, 2009 and €5 million at December 31, 2008.

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 €169 million, i.e.

- €122 million at French units;
- €47 million at German units.

NOTE 29. EARNINGS PER SHARE

The following table shows details about the earnings and numbers of shares used to calculate basic and diluted earnings per share for all operations.

Earnings per share for all operations

	December 31, 2009	*December 31, 2008*
Net income attributable to equity holders of the parent (in thousands of euros)	9,065	(49,723)
Weighted average number of ordinary shares used to calculate basic earnings per share	23,884,043	23,870,376
Earnings per share in euros	**0.38**	**(2.08)**

	December 31, 2009	December 31, 2008
Net income attributable to equity holders of the parent (in thousands of euros)........	9,065	(49,723)
Weighted average number of ordinary shares used to calculate basic earnings per share	23,884,043	23,870,376
Impact of dilution:		
Stock options (with dilutive impact)	760,293	431,411
Weighted average number of ordinary shares adjusted for diluted earnings per share........	24,644,336	24,301,787
Diluted earnings per share........	**0.37**	**(2.08)**

NOTE 30. COMMITMENTS AND CONTINGENCIES

Commitments under operating leases

The Group has entered into operating leases covering certain motor vehicles, machinery and buildings. The minimum future rental payments due under these operating leases, which may not be terminated, are as follows:

	December 31, 2009			***December 31, 2008***		
(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………………….	589	368		581	840	
Other……………………...	840	1,615	58	886	1,101	122
Total……………………….	**1,429**	**1,983**	**58**	**1,467**	**1,941**	**122**

Expenses incurred under operating leases amounted to €1,525 million in 2009 and €2,101 million in 2008.

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 €1,499 thousand at December 31, 2009 and €845 thousand at December 31, 2008.

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)	***December 31, 2009***	***December 31, 2008***
Minimum payments due in less than one year……………………………………	287	582
Minimum payments due in more than one year but less than five years………	736	993
Minimum payments due in more than five years…………………………………	102	15
Total minimum payments under finance leases…………………………………	1,125	1,590
Less amounts representing interest expense……………………………………		
Present value of minimum payments under leases…………………………	**1,125**	**1,590**

Investment commitments

At December 31, 2009, the Group's investment commitments totalled €1.1 million.

Commitments arising from the purchase and sale of futures

At December 31, 2009, the Group had not entered into any commitments arising from the forward sale or purchase of currencies.
Commitments arising from the forward sale or purchase of metals are presented in note 36.

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 Harz Metall GmbH has been pledged as collateral for a loan obtained by C2P GmbH in a maximum amount of €0.5 million, €0.5 million of which is still outstanding.
- Weser Metall GmbH has granted a mortgage over its land as security for a loan currently amounting to €3.3 million.
- RMO Reinstmetalle Osterwieck GmbH has pledged its inventories, trade receivables and land as collateral for a loan currently amounting to €2.9 million.
- C2P GmbH has pledged its facilities and inventories as collateral for a loan currently amounting to €0.5 million.
- Harz-Metall GmbH, Weser Metall GmbH, PPM GmbH and C2P GmbH have also entered into a guarantee contract in accordance with article 328/1 of the German civil code to guarantee a Recylex GmbH loan amounting to €4 million.
- FMM has granted a mortgage security on buildings in an amount of €0.8 million and pledged its business as collateral in an amount of €0.3 million.
- Recylex SA has granted a mortgage security interest to the French water agency amounting to €2.2 million covering the land at the L'Estaque site.

Litigation and contingent liabilities

See the notes concerning significant events for the 2009 financial year (note 1) and the note on environmental issues (note 38).

NOTE 31. INFORMATION CONCERNING RELATED PARTIES AND BENEFITS GRANTED TO ADMINISTRATIVE AND MANAGEMENT BODIES

Information concerning related parties

(In thousands of euros)	*Expenses*		*Income*		*Receivables*		*Liabilities*	
	2009	*2008*	*2009*	*2008*	*2009*	*2008*	2009	*2008*
Glencore	24,148	19,776	30,266	12,336	1,437	822	9,702	10,374
Recytech	10	48	-	-	-	-	3	8
Maturity								
Less than one year	-	-	-	-	1,437	822	2,130	1,659
From 1 to 5 years	-	-	-	-	-	-	5,739	5,050
More than five years	-	-	-	-	-	-	1,836	3,673
Impairment of doubtful receivables	-	-	-	-	-	-		-

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 members of Recylex SA's Board of Directors break down as follows:

(In thousands of euros)	*December 31, 2009*	*December 31, 2008*
Short-term benefits	547	806
Total compensation and benefits	**547**	**806**

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 Yves Roche has facilitated such change and the transition to the new core shareholder. This compensation amounts to double the compensation and benefits received by him 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 32. FINANCIAL RISK MANAGEMENT

The Group specialises in recycling lead, zinc, plastics and special metals, and 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 created a procedural manual in order to measure, manage and control its market risk exposure. This policy prohibits any speculative positions from being established in the market and consists in using derivatives to hedge part of the Group's exposure to currency and commodity risk. Procedures have been put in place at Group companies where risks have been identified.
Financial instruments are traded on the over-the-counter market with a highly rated counterparty. The Group primarily uses futures and options.

Derivatives cover existing and anticipated financial and commercial exposure. Derivative positions are tracked on a fair value basis.

Exposure to currency risk and commodity risk is managed locally by the Group companies concerned, under the control of the Group's finance department.

Interest-rate risk

The Group's main financial risks are borne by the Recylex SA holding company, Recylex GmbH, Weser Metall GmbH and RMO GmbH. Given the Group's situation, its debt chiefly comprises the rescheduled liabilities under Recylex SA's continuation plan and four loans arranged by Recylex GmbH, Weser Metall GmbH, C2P GmbH and RMO GmbH. The loans taken out by Recylex GmbH and C2P GmbH are fixed-rate, and those taken out by Weser Metall GmbH and RMO GmbH are floating-rate.

The debt resulting from the continuation plan does not bear interest. The Group uses interest-rate derivatives to hedge interest-rate risk on the two floating-rate loans.

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, with some procurement contracts being denominated in dollars. The Group's practice is not to hedge this currency risk.

At December 31, 2009, the Group had no dollar denominated commodity derivatives hedging euro-denominated sales. All commodity derivatives are now denominated in euros.

Commodities risk

The Group is exposed to fluctuations in metals prices, particularly lead and zinc. Forward contracts for these two metals are listed in dollars on the London Metal Exchange. The Group has no influence on the price of these metals, and is therefore exposed to fluctuations in their value. This exposure derives from sales of metals for which production is based on reused materials (used batteries), the price of which is not directly linked to market prices, and on surplus metals recovered from the materials to be processed. The Group therefore hedges any difference between purchase and sale prices as well as its commercial inventories.

The Group is also exposed to fluctuations in lead and zinc prices and sometimes uses derivatives to secure a portion of its margins.

Hedging of lead and zinc risks was arranged in 2009.

Counterparty risk

The Group is exposed to credit risk in the event that a counterparty fails. The Group's credit risk policy varies from segment to segment.

- *Credit risk linked to trade receivables*

Based on the information at its disposal, the Group does not anticipate any third-party failures that may have a material impact on its financial statements. However, given the current economic and financial situation, which remains particularly difficult and uncertain, failures among Group customers cannot be ruled out.

In the lead sector, the Group maintains commercial relationships with a limited number of customers whose financial strength is proven and to which the payment terms granted are very short. However, for reasons set out above relating to the current exceptional economic and financial environment, the Group cannot completely rule out the possibility of failures among its customers.

In the lead and zinc segments, the Group may hedge some of its trade receivables by selling them to a factoring company under non-recourse factoring agreements. At December 31, 2009, the Group had sold €8.7 million to a factoring company.

- *Credit risk linked to cash and cash equivalents and derivatives*

Commodity hedges and treasury investments are handled by prime financial institutions. However, given the current situation in the banking sector, which remains difficult and uncertain, failures among financial institutions cannot be ruled out.

Liquidity risk

Following the adoption of the continuation plan by the Paris Tribunal de Commerce on November 24, 2005, Recylex SA's debt was rescheduled (see note 18).

Pursuant to the continuation plan, the Company has made the first four repayments to its creditors, which amounted to €11.4 million in 2006, €11 million in 2007, €2.3 million in 2008 and €2.3 million in 2009, making a total of €27 million.

Following the Douai Appeal Court rulings on December 18, 2009 (see note 1), the compensation awarded to the former employees of Metaleurop Nord SAS, totalling €12.4 million, has been included in the continuation plan liabilities. Total continuation plan liabilities including compensation amounted to €34.8 million at December 31, 2009.The instalment due in November 2010 is €4.3 million. The remaining instalments payable between 2011 and 2015 are between €3.4 million and €5.5 million a year.

The Company has prepared a cash flow forecast for 2010 on the basis of information available to it, notably including outlays linked to the outstanding instalments due to creditors during the 2010 financial year. The Group's subsidiaries have also submitted their cash flow projections (by cash pool) for 2010. These projections are based on lower metal prices than those prevailing at end-2009.

The Group expects to see a decrease in its cash, but does not envisage any short-term financing requirement due to the large cash position held at December 31, 2009. At December 31, 2009, available cash amounted to €53.5 million. However, it is very difficult to make medium-term projections given the volatility of metal prices and the difficulty in predicting trends in both prices and the economic outlook.

It should be noted that the €50 million claimed by the liquidators of Metaleurop Nord SAS (see note 1) is not included in Recylex's continuation plan and has not been taken into account in the Group's cash flow projections. If the verdict were to go against Recylex SA, the available cash would no longer be compatible with the instalments due to creditors under the continuation plan, the commitment to rehabilitate former sites and the commitment to rehabilitate the old L'Estaque site (see note 38).

NOTE 33. FINANCIAL INSTRUMENTS ON THE BALANCE SHEET

Analysis of financial instruments by type of instrument

12/31/2009	***Available-for-sale assets***	***Loans and receivables***	***Fair value through income***	***Hedging derivatives***	***Debt at amortised cost***	***Balance sheet value***	***Fair value***
(In thousands of euros)							
Assets							
Non-current assets							
Non-current financial assets..............		847				847	847
Non-current derivatives.....................							
Other non-current assets		5,303				5,303	5,303
Current assets							
Trade receivables		33,655				33,655	33,655
Current derivatives (3)........................				122		122	122
Cash and cash equivalents...............		45,907	7,591			53,498	53,498
Liabilities							
Non-current liabilities							
Non-current interest-bearing borrowings					9,455	9,455	9,350
Other non-current liabilities (1)...........					20,617	20,617	20,617
Current liabilities							
Current interest-bearing borrowings...					3,932	3,932	3,932
Trade payables					19,709	19,709	19,709
Current derivatives (3)			1,184	888		2,072	2,072
Other current financial liabilities (2).....			422		6,482	6,904	6,904

12/31/2008	Available-for-sale assets	Loans and receivables	Fair value through income	Hedging derivatives	Debt at amortised cost	Balance sheet value	Fair value
(In thousands of euros)							
Assets							
Non-current assets							
Non-current financial assets................		799				799	799
Non-current derivatives (3)				187		187	187
Other non-current assets....................		2,953				2,953	2,953
Current assets							
Trade receivables...............................		24,616				24,616	24,616
Current derivatives (3)				2,158		2,158	2,158
Cash and cash equivalents		71,078	6,371			77,450	77,450
Liabilities							
Non-current liabilities							
Non-current interest-bearing borrowings...					11,077	11,077	10,801
Other non-current liabilities (1)					14,252	14,252	14,252
Current liabilities							
Current interest-bearing borrowings....					4,477	4,477	4,477
Trade payables					16,451	16,451	16,451
Other current financial liabilities (2).......			277		7,738	8,015	8,015

(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 (notes 17 and 18), including the fair value of two interest-rate swaps.
(3) Comprises only commodity derivatives.

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.

Classification of financial instruments measured at fair values at December 31, 2009

Financial instruments at fair value through profit or loss are classified as follows:

Level 1: financial instruments which are quoted in an active market;
Level 2: financial instruments which are measured using valuation techniques based on observable data;
Level 3: financial instruments which are measured using valuation techniques based partly or fully on non-observable data.

(In thousands of euros)	*Level 1*	*Level 2*	*Level 3*
Current derivatives..	-	122	-
Cash & cash equivalents	-	7,591	-
Total assets	**-**	**7,713**	**-**
Current derivatives.. .	-	2,072	-
Other current financial liabilities	**-**	422	
Total liabilities	**-**	**2,494**	**-**

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

(In thousands of euros)	*Recognised in income*	
	12/31/2009	***12/31/2008***
Income/expense relating to loans and receivables recognised at amortised cost....	(34)	(56)
Foreign exchange gains/(losses) on loans and receivables (note 27)	56	(395)
Impairment loss/reversal of impairment loss on loans and receivables	(804)	163
Foreign exchange gains/(losses) on cash and cash equivalents (note 27).............	24	(24)
Factoring costs..	(381)	(729)
Total loans and receivables	**(1,139)**	**(1,041)**
Income from investments held at fair value..	807	2,837
Investments at fair value through profit or loss (1)	**807**	**2,837**
Interest expense on borrowings stated at amortised cost......................................	(894)	(934)
Impact of discounting frozen liabilities (note 18)	(311)	(1,260)
Foreign exchange losses on borrowings at amortised cost	-	(9)
Total borrowings and debt at amortised cost	**(1,205)**	**(2,203)**
Cash flow hedges: gains and losses on ineffective portion of hedges recognised in income	0	0
Total hedging derivatives		
Derivatives measured at fair value..	(1,065)	(278)
Total	**(2,602)**	**(685)**

(In thousands of euros)	*Recognised in equity*	
	12/31/2009	***12/31/2008***
Cash flow hedges: change in fair value reflecting the effective portion of the hedge	(888)	2,291

(1) Relates solely to short-term investments

Instruments pledged as collateral

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

- Reinstmetalle Osterwieck GmbH has pledged its trade receivables as collateral for a loan currently amounting to €2.9 million.

NOTE 34. INFORMATION CONCERNING CREDIT RISK

Unpaid receivables

At December 31, 2009	***Balance sheet value***	***Financial assets neither due nor written down at the balance sheet date***	***Financial assets due but not written down at the balance sheet date***			***Financial assets written down***
(In thousands of euros)			0-3 months	3-6 months	Over 6 months	
Loans	14	14				
Trade receivables	39,124	21,890	10,988	586	192	5,469
Other receivables	2,094	1,605			2	487
Other financial assets (1)	150,608					150,608
Total	**191,840**	**23,509**	**10,988**	**586**	**194**	**156,564**

At December 31, 2008	***Balance sheet value***	***Financial assets neither due nor written down at the balance sheet date***	***Financial assets due but not written down at the balance sheet date***			***Financial assets written down***
(In thousands of euros)			0-3 months	3-6 months	Over 6 months	
Loans	579	412	-	-	167	-
Trade receivables	29,380	13,429	10,845	21	320	4,763
Other receivables	7,889	6,514	-	-	987	388
Other financial assets (1)	150,608	-	-	-	-	150,608
Total	**188,456**	**20,355**	**10,845**	**21**	**1,474**	**155,760**

(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, 2009, €12.3 million in trade receivables remained unpaid but were not written down. Of the total, 87% were less than sixty days past due.

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

Impairment of loans and receivables

	December 31, 2009			***December 31, 2008***		
(In thousands of euros)	***Loans and other non-current financial assets***	***Trade receivables***	***Other current assets***	***Loans and other non-current financial assets***	***Trade receivables***	***Other current assets***

Total impairment losses at January 1……………..	**244,422**	**4,764**	**388**	**244,481**	**5,236**	**513**
Increases………………….		842	99		111	25
Uses……………………….					(410)	(116)
Reversals………………….		(136)		(59)	(173)	(34)
Total impairment losses at December 31	**244,422**	**5,469**	**487**	**244,422**	**4,764**	**388**

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

NOTE 35. LIQUIDITY RISKS: OUTSTANDING FINANCIAL LIABILITIES BY MATURITY DATE

At December 31, 2009, undiscounted contractual cash flows (principal and interest) arising from outstanding financial liabilities break down by maturity date as follows:

(In thousands of euros)	***Balance sheet value***	***Contractual cash flows***	***2010***	***2011***	***2012***	***2013***	***2014***	***> 5 years***
Borrowings………………………….	13,387	14,576	4,399	2,801	5,693	807	774	102
Liabilities rescheduled under the continuation plan………………….	26,910	29,143	6,428	3,442	4,130	4,130	5,507	5,507
Trade payables……………………	19,709	19,709	19,709					
Operating and finance lease commitments………………………		5,463	1,966	1,438	791	563	544	160
Other current liabilities (1)………..	67	67	67					
Total…………………………………	**60,075**	**68,959**	**32,570**	**7,681**	**10,614**	**5,500**	**6,825**	**5,769**

(1) Other current liabilities mainly comprise liabilities related to non-current assets. The current portion of the continuation plan is classified under "rescheduled liabilities".

The above table shows all the outstanding liabilities at December 31, 2009, 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 36. EXPOSURE TO MARKET RISK AND DERIVATIVES

Commodity 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 secondary materials (lead produced from battery recycling), the price of which is not directly linked to market prices, and on surplus metals recovered from the materials to be processed. The Group may use derivatives traded on the London Metal Exchange to protect itself partially against these risks. These derivatives are deemed to be cash flow hedges.

The Group is also exposed to two main trading risks related to metals prices:

1) Risk of fluctuations in metal prices relative to its firm commitments under sale contracts which are not recognised on the balance sheet

2) Risk of fluctuations in prices of metals contained in commercial inventories[9]:

Most transactions related to metals use London Metal Exchange (LME) prices. If metal prices were constant, the price paid by the Group for these raw materials would be passed on to the clients in the product price. However, during the transformation of the raw materials into the product, fluctuations in metal prices result in differences between the price paid for the metal contained in the raw materials and the price received for the metal contained in the products sold to the client. A trading risk therefore exists concerning changes in metal prices between the time when the price of the raw material purchased is determined and the time when the price of the finished product is determined.

The Group's policy is to hedge its trading risk as far as possible mainly using futures contracts. These derivatives are recognised as fair value hedges if they meet the criteria for hedge accounting.

If they do not meet the criteria for hedge accounting set out in IAS 39, they are measured at fair value through profit or loss.

Fair value		***12/31/2009***		***12/31/2008***
(In thousands of euros)	*Current*	*Non-current*	*Total*	*Total*
Other financial instruments (assets – liabilities)......	(2,072)	-	(2,072)	2,291
Assets...				
Derivatives (cash flow hedges)...............................	-	-	-	2,291
Derivatives (fair value hedges)	122	-	122	54
Liabilities...				
Derivatives (cash flow hedges)...............................	888	-	888	-
Fair value of underlying hedged risk……….	122	-	122	54
Derivatives (other)	1,184	-	1,184	-

Fair value hedges

At December 31, 2009, the fair value of derivatives treated as fair value hedges amounted to €122 thousand, which is offset symmetrically in the income statement by the fair value of the hedged risk (firm commitments under sale contracts), also in an amount of €122 thousand.

Derivatives used to hedge a recognised asset or liability or a firm commitment are documented as fair value hedges. The effective portion of the change in fair value of derivatives documented as hedges is recognised in the income statement and offset symmetrically by the change in fair value of the hedged risk.

The maturity of metal derivatives used for fair value hedging purposes is as follows:

(In thousands of euros)	**Market value of derivatives by maturity date**	**Nominal**
2010 financial year	122	1,814
2011 financial year	-	-
Total	**122**	**1,814**

Cash flow hedges

[9] Lead inventories at the Group's main smelter are divided into: a) permanent inventories; b) commercial inventories. The Group is exposed to risks relating to the prices of metals in its inventories. This risk relates to the market value of the metal, which could fall below the carrying value of inventories. The Group's policy is not to hedge the risk relating to permanent inventories and to hedge the risk relating to commercial inventories.

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
2010 financial year	(888)	6,746
2011 financial year	-	-
Total	**(888)**	**6,746**

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, 2009, an unrealised loss of €888 thousand was recognised in equity over the period (unrealised gain of €2,291 thousand at December 31, 2008).

Changes in hedging reserves are shown in the following table:

(In thousands of euros)	December 31, 2009	December 31, 2008
Amount at January 1………………………………………………..	2,291	5,334
Amount recycled from equity to income…………………………….	(2,291)	(5,334)
Amounts recognised directly in equity………………………………	(888)	2,291
Amount before deferred taxes……………………………………	**(888)**	**2,291**
Deferred taxes………………………………………………............	258	(667)
Amount net of taxes at the period end…………………………	**(630)**	**1,624**

Derivatives measured at fair value

The Group uses derivative financial instruments to hedge the trading risk arising from the change in metal prices between the time when the price of the raw material purchased is determined and the time when the price of the finished product is determined. The Group has decided not to document these derivatives as hedges, as defined in IAS 39. They have been classified as "Held-for-trading financial instruments" and are therefore measured at fair value through profit or loss. Their maturity is as follows:

(In thousands of euros)	Market value of derivatives by maturity date	Nominal
2009 financial year (trading risk hedges)	(1,184)	14,562
2010 financial year (trading risk hedges)	-	-
Total	**(1,184)**	**14,562**

Sensitivity analysis

The sensitivity analysis was performed based on the status of derivatives at the balance sheet date. A + or – 26% change in the lead price compared with the closing price would have a – or + €2 million impact en equity and a – or + €3.8 million impact on income at December 31, 2009.

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, 2009, the Group's exposure to currency risk was as follows:

12/31/2009	*In thousands of US dollars*	*In thousands of euros*
Non-current financial assets		
Other non-current assets		
Trade receivables	8,438	5,903
Current derivatives		
Other current assets		
Other current financial assets		
Cash and cash equivalents		
Assets	**8,438**	**5,903**
Non-current interest-bearing borrowings		
Other non-current liabilities		
Current interest-bearing borrowings		
Trade payables	1,562	1,084
Derivatives		
Other current financial liabilities		
Liabilities	**1,562**	**1,084**

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 is based on the nominal amount of the assets and liabilities (stated in euros), to which a +10% or -10% change in the exchange rate is applied.

At December 31, 2009, a +/-10% change in the euro-dollar exchange rate would have an impact on income of +€0.5 million should the US dollar appreciate or -€0.4 million if it were to depreciate.

Interest-rate risk

The Group's debt mainly consists of rescheduled liabilities resulting from the Recylex SA continuation plan (non-interest-bearing) and floating-rate and fixed rate debt. To hedge against higher interest charges on floating-rate debt arising from higher interest rates, the Group has taken out two swaps paying fixed rate and receiving floating rate. These derivatives are recognised on the balance sheet at fair value, with changes in fair value taken to income (-€144 thousand in 2009).

At December 31, 2009, as the Group's debt is mainly fixed-rate, the impact of a change in interest rates relates mainly to interest-rate derivatives and is not deemed to be material.

NOTE 37. LIST OF CONSOLIDATED ENTITIES AT DECEMBER 31, 2009

	Registered office	Consolidation method	% interest	% control	% interest at 12/31/2008
Recylex SA	**Paris**	**Parent company**	**100.00**	**100.00**	**100.00**
France					
Recylex Commercial SAS	Paris	FC	100.00	100.00	100.00
C2P SAS	Villefranche-sur-Saône	FC	100.00	100.00	100.00
Delot Métal SAS	Paris	FC	100.00	100.00	100.00
Norzinco SA	Anzin	FC	100.00	100.00	100.00
Recytech SA	Fouquières-lès-Lens	PC	50.00	50.00	50.00
Belgium					
Fonderie et Manufacture de Métaux SA	Brussels	FC	100.00	100.00	100.00
GERMANY					
Recylex GmbH	Langelsheim	FC	100.00	100.00	100.00
Weser Metall GmbH	Nordenham	FC	100.00	100.00	100.00
Harz-Metall GmbH	Goslar	FC	100.00	100.00	100.00
C2P GmbH	Goslar	FC	100.00	100.00	100.00
PPM Pure Metals GmbH	Langelsheim	FC	100.00	100.00	100.00
RMO Reinstmetalle Osterwieck GmbH	Osterwieck	FC	100.00	100.00	100.00
Norzinco GmbH	Goslar	FC	100.00	100.00	100.00

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

NOTE 38. NOTE ON ENVIRONMENTAL ISSUES

Background

The Recylex group was created in 1988 through the merger of the non-ferrous metals division of German company Preussag (now TUI) and the French company Peñarroya. The facilities operated by the Group engage in industrial activities liable to have an impact on the environment and require government authorisation. In addition, the Group is responsible for the remediation or supervision of a certain number of former sites resulting from the two founding groups' past industrial or mining activities.

Sites in France

In France, Recylex SA manages, under its direct responsibility, two operational sites in Villefranche-sur-Saône (Rhône) and Escaudoeuvres (Nord), as well as the closed site at L'Estaque-Marseille (Bouches-du-Rhône). Three other sites are managed by subsidiaries: C2P SAS in Villefranche-sur-Saône, Norzinco SA in Anzin (Nord), a classified site under the Seveso directive (now closed), and Recytech SA, in which the Company holds a 50% stake, in Fouquières-lès-Lens (Pas-de-Calais).

The Group is also responsible for the security of fifteen mining concessions, resulting from the past mining holdings of Peñarroya, the vast majority of which were no longer in operation when the Recylex Group was created in 1988.

Sites in Germany and Belgium

Through its subsidiaries, the Group controls seven sites operated under licence: one in Belgium, managed by FMM SA in Brussels, and six in Germany, managed by Weser Metall GmbH in Nordenham (Bremen) which is classified under the Seveso directive, Harz-Metall GmbH, Norzinco GmbH and C7P GmbH in Goslar-Oker, PPM GmbH in Langelsheim and RMO GmbH in Osterwieck (Lower Saxony).

Harz-Metall GmbH, PPM Pure Metals GmbH and Weser Metall GmbH remain responsible for former slag heaps or residue deposits located in the grounds of or near operational sites. Most of these old sites were not in operation when the Recylex Group was created in 1988.

Other sites

Eco-Recycling, which is 33.33%-owned by Recylex SA, has operated a used automotive battery processing centre in Aïn Ouassara, Algeria, since January 2010.

<u>Environment-related provisions and contingent liabilities</u>

Recylex's activities are subject to local, national and international regulations relating to the environment and industrial safety. These regulations are constantly changing and impose numerous requirements. As a result, these activities carry a risk that Recylex will be held liable for matters including site clean-up and industrial safety.

In accordance with IFRSs, provisions can only be booked where the Group has a legal, regulatory or contractual obligation to a third party resulting from past events. This obligation may arise from the Group's practices or public commitments that created a legitimate expectation among the third parties concerned that the Group would assume certain responsibilities, where it is certain or probable that the obligation will lead to an outflow of resources to the third party and where the amount can be reliably estimated and corresponds to the best possible estimate of the commitment.

At end-2009, environmental provisions recognised by the Group totalled €31,084 thousand, covering the present value of all forecastable expenditure based on the required remediation timeframe, which may last until 2022.

The amounts recognised represent the best estimates based on reports and technical studies by independent experts.

Expenses recognised in 2009 totalled €4,015 thousand, covering the cost of surveys and of work to minimise environmental impacts and restore sites, along with the cost of operating long-standing pollution treatment facilities.

The Group cannot rule out the possibility that assumptions used to calculate these provisions will have to be revised. As a result, the Group monitors these provisions to take into account changes in regulations, the interpretation and application of regulations by the authorities, technical, hydrological and geological constraints relating to environmental remediation issues, and the discovery of pollution not currently identified.

In accordance with IFRSs, a contingent liability is identified when:

- a possible obligation arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- a present obligation arises from past events but is not recognised because:
    - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
    - the amount of the obligation cannot be measured with sufficient reliability.

Environmental provisions and contingent liabilities identified by the Group are discussed below.

Mining concessions

Provisions set aside as part of the procedure of giving up rights to operate mining concessions.

Recylex SA still holds mining concessions on which operations have ceased. Work to rehabilitate these former mining sites and make them safe is taking place under a multi-year plan approved and revised in conjunction with local authorities and government organisations.

In 2009, the assessment of additional work required at several mines led to €867 thousand of additional provisions.

The aggregate amount of provisions (before discounting) covering the entire former mining site rehabilitation programme came to €5,558 thousand at December 31, 2009.

At end of 2009, Recylex SA had mining rights at fifteen concessions, after giving up fourteen concessions since 2004.

Monitoring of contingent liabilities relating to former mining sites

With regard to the Saint Laurent Le Minier mining site, the French environment ministry has launched an epidemiological investigation, at its own expense, 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. The results of this investigation were expected in 2009, and may give rise to requests for additional work.

As regards the Saint Sébastien d'Aigrefeuille mining site in the Gard region, in 2007 the Administrative Court rejected the request to cancel orders of the prefect requiring Recylex SA to secure a former mining waste storage facility. Recylex SA appealed against this ruling, which was overturned by the Marseille Appeal Court on December 3, 2009.

Closed sites and former landfill sites

Provisions recognised on sites in France

(i) L'Estaque

After operations at the L'Estaque facility were discontinued in February 2001, the order of the prefect on December 23, 2002 defined the programme to restore the site, setting post-treatment ground quality targets and defining technical requirements relating to the storage of mining waste. On November 3, 2008, an additional order set the deadline for completing all rehabilitation work as December 31, 2011.
The impact on the local environment was caused by metal mining waste and demolition waste, which will have to be stored in bunkers to be built on-site. An application to build these storage cells was discussed with the Marseille municipal authorities and the government authorities throughout 2009, which will delay the process by about one year. A new local authority order is currently being prepared to set the timetable.

In 2009, an additional provision of €670 thousand was recognised given the extra year required to complete the work.

The aggregate amount of provisions (before discounting) covering the L'Estaque site rehabilitation programme came to €16,706 thousand at December 31, 2009.

(ii) Norzinco S.A.

Norzinco SA began the process of discontinuing its zinc-recycling business in October 2008. The Prefect of the Nord department of northern France duly acknowledged the completion of the discontinuation process by letter dated August 18, 2009.

Provisions recognised on sites in Germany

Most industrial sites and landfill sites in Germany ceased operations before the merger between Preussag GmbH and Peñarroya S.A. in 1988. Under German law, an operator remains liable for all the damage caused by it, even if the land has been sold to third parties. Accordingly, during the second quarter of 2009, a settlement was reached between two of the Group's German subsidiaries – Harz-Metall GmbH and PPM Pure Metals GmbH – and the TUI Group (formerly Preussag) concerning the rehabilitation of certain sites in Germany belonging to these subsidiaries.

The provisions set aside for the German sites correspond to ground and water rehabilitation obligations, particularly relating to former slag heaps and landfill sites for which the Group's German subsidiaries remain responsible, taking account of the settlement with TUI. The Group has been notified of these obligations by the local authorities.

The total amount of provisions (before discounting) for German sites stood at €10,210 thousand at December 31, 2009, including €8,654 thousand for the Harz-Metall GmbH site in Goslar-Oker and €1,448 thousand for the Weser Metall GmbH site. These amounts are the best available estimates, based on the technical reports of independent experts.

(i) Harz Metall GmbH site, Goslar-Oker: former slag heaps

For the Harz Metall GmbH site, the Group is responsible for rehabilitating former slag heaps (estimated cost: €6,658 thousand), site surveillance (estimated cost: €1,150 thousand) and rehabilitating abandoned industrial facilities (estimated cost: €610 thousand).

(ii) Weser Metall GmbH site: former lead facility and other landfill sites

At the Weser Metall GmbH site in Nordenham, the €390 thousand provision covers the cost of rehabilitating the former lead facility.

Close to the Weser Metall GmbH site are two landfills that ceased operations in 1977 (Rahden) and 1995 (Galing I).
At the Rahden landfill, the local authorities have requested a reduction in the zinc levels in the ground before vegetation can be reintroduced. The Group has arranged monitoring of zinc levels, with an estimated duration of ten years. The total provision, including monitoring costs, was €600 thousand at December 31, 2009.
At the Galing landfill, a €500 thousand provision has been booked to cover monitoring costs, also expected to last ten years.

<u>Monitoring of contingent liabilities</u>

At the PPM GmbH site in Langelsheim, work to ensure the safety of the former slag heap has been completed by the new road. However, the Group cannot rule out the possibility of the local authority requiring additional work. The additional work for which the Group could then be responsible has an estimated cost of €1.1 million, but is not provisioned because there is no present obligation.

<u>Active sites</u>

In Belgium, where the Group operates a lead smelter via its FMM subsidiary, a site restoration guarantee in the event of closure is being gradually introduced to meet the requirements of IBGE. The full amount of the guarantee, which originally stood at €1.4 million, has been reduced to €742 thousand following the local authority's acceptance of FMM's technical presentation. The reduced amount of the guarantee has been provided for in the consolidated financial statements.

In the absence of regulatory obligations, no provisions are set aside for the cost of site remediation work that the Group would bear on the closure of active sites.

<u>Other information</u>

During 2009, Recylex S.A. was not involved in any legal proceedings leading to fines for non-compliance with its regulatory obligations. Recylex S.A. was not granted any public environmental funds or subsidies in 2009.

NOTE 39. SUBSEQUENT EVENTS

Recent trends and outlook

Metal prices began to rise sharply in early 2010 and have fluctuated between USD 2,600 and 2,000 a tonne for lead and between USD 2,450 and 2,000 a tonne for zinc.

The battery recycling business remained stable during the first quarter of 2010, with similar volumes to the final quarter of 2009. Demand for zinc is still weak, but the Group's steel dust recycling facilities remained in operation during the first quarter of 2010.

Subsequent events

Following the Douai Appeal Court rulings of December 18, 2009 (see note 1.3), 24% of the total amount of compensation due to former non-management employees of Metaleurop Nord SAS, corresponding to the four instalments of Recylex SA's continuation plan, i.e. about €3 million, were paid on February 18, 2010. The balance will be paid on November 24 each year as follows: 10% in 2010, 10% in 2011, 12% in 2012, 12% in 2013, 16% in 2014 and 16% in 2015. On February 9, 2010, Recylex decided to go to higher appeal, which does not suspend enforcement of the Douai Appeal Court rulings.

Given the fragile economic outlook and the increase in the continuation plan instalments following the rulings concerning the former non-managerial employees of Metaleurop Nord S.A.S, the Group has scaled back its investment projects and is endeavouring to preserve its cash position by focusing on strict control over its costs and working capital requirements.

During the Recylex SA liquidation proceedings that led to the continuation plan adopted on November 24, 2005, the creditors' representative had wrongly declared a debt in litigation at the Paris Commercial Court in the schedule of uncontested debts. As the debt had been definitively accepted in the schedule, the Company was forced to pay it under the continuation plan even though no ruling had been delivered on the substance of the case. The Company therefore decided to take a liability action against the creditors' representative. In a ruling on January 20, 2010, the Paris Regional Court ordered the creditors' representative to pay the Company the sum of €3 million in damages, with interim enforcement of €1 million. On February 22nd, , 2010, the decision was appealed by the creditors representative.

- Eco-Recycling SPA (Algeria)

In January 2010, Eco-Recycling, which is 33.33%-owned by Recylex SA, obtained authorisation to begin operations and duly came on stream.

This used automotive battery processing facility, designed by Recylex engineers, has a full-year processing capacity of 20,000 tonnes of used batteries a year.

NOTE 40. AUDITORS' FEES IN 2009

	Deloitte				KPMG			
In euros	**Amount**		**%**		**Amount**		**%**	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Audit								
Recylex SA	**149,500**	**142,500**	**27%**	**27%**	**149,500**	**142,500**	**86%**	**87%**
Subsidiaries	**357,933**	**381,214**	**73%**	**73%**	**19,836**	**21,650**	**14%**	**13%**
TOTAL	**507,433**	**523,714**	**100%**	**100%**	**169,336**	**164,150**	**100%**	**100%**
Sub-total	***507,433***	***523,714***	***100%***	***100%***	***169,336***	***164,150***	***100%***	***100%***
Other services								
	-	**-**	**0%**	**0%**	**-**	**-**	**0%**	**0%**
		-	**0%**	**0%**	**-**	**-**	**0%**	**0%**
Sub-total	***-***	***-***	***0%***	***0%***	***-***	***-***	***0%***	***0%***
TOTAL	**507,433**	**523,714**		**100%**	**169,336**	**164,150**		**100%**

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2009

This is a free translation into English of the statutory auditor's report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.
The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.
This report also includes information relating to the specific verification of information given in the Group's management report.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 December 2009, on:

- the audit of the accompanying consolidated financial statements of Recylex SA ;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by Board of Directors. Our role is to express an opinion on these consolidated 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 involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2009 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying the conclusion expressed above, we draw attention to the following matters:

- The change in accounting policies occurred on January 1st, 2009 detailed in note 2 to the consolidated financial statements regarding the first application of revised IAS 1, "Presentation of Financial Statements".

- The uncertainty set out in note 1 to the consolidated financial statements relating to the lawsuit, brought in 2006 against the company by the liquidators of Metaleurop Nord SAS claiming the repayment by Recylex SA of €50 million of Metaleurop Nord SAS' liabilities, which is pending before the commercial division of the Douai Appeal Court, following the liquidators' appeal against the decision delivered on February 27, 2007 by the Béthune Regional Court, which ruled that Recylex SA was not a de facto manager of Metaleurop Nord SAS. The Douai Appeal Court issued a stay of proceedings on November 18, 2008 and invited the parties to bring the matter before the "Conseil d'Etat". Pursuant to the judgment of Douai Appeal Court, on February 12, 2009 Recylex S.A. applied to the "Conseil d'Etat" for a preliminary ruling on legality. The preliminary ruling from the "Conseil d'Etat" is awaited before the Douai Appeal Court can rule on either the admissibility or the merits of the case.

  Based on the ruling in favour of Recylex S.A. of the Tribunal de Grande Instance de Béthune, the company did not deem it necessary to set aside any provisions in the financial statements as at 31 December 2009.

  Should the outcome of both lawsuits be unfavourable to Recylex S.A., execution of the continuation and going concern plan could be called into question.

2. Justification of our assessments

The financial crisis that was accompanied by an economic crisis leads to various consequences for companies and in particular regarding their activity and financing. These elements have been considered by your company to assess the going concern assumption adopted for the preparation of the financial statements for year ended 31 December 2009. The very high volatility of the financial markets that remained active, the growing shortage of the transactions on the financial markets that became inactive, as well as the lack of visibility on the future create specific conditions this year for financial statements' preparation, in particular regarding accounting estimates that are required in accordance with accounting standards. These conditions are described in note 2 - §"Use of estimates" to the consolidated financial statements. We have made our own assessments in this context of uncertainty that we bring to your attention in accordance with the requirements of article L.823-9 of the French Commercial Code ("Code de commerce").

- Going concern

Based on our work and the information you have communicated 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 continuity plan

As part of our assessment of the accounting policies adopted by your company, we verified the appropriateness of the accounting treatment applied to the debt rescheduling with respect to the continuity plan described in Note 18 to the consolidated financial statements and the related disclosures.

- Provisions

As specified in notes 2 - § Summary of significant accounting methods and 14 to the consolidated financial statements, your company books provisions to cover risks. Based on the information available at the time of our audit, we assessed the data and assumptions used; we examined 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 said provisions provided in the notes to the consolidated financial statements at 31 December 2009 were appropriate.

- Employee benefits

The methodologies applied for assessing employee benefits are set out in notes 2 - § Summary of significant accounting methods and 15 to the consolidated financial statements. These benefit obligations were reviewed 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.

- Fixed assets depreciation

The methodologies applied for assessing fixed assets depreciation are set out in notes 2 - § Summary of significant accounting methods and 5 to the consolidated financial statements. 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 as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verification

As required by law we have also verified, in accordance with professional standards applicable in France, the information relative to the group, given in the parent company's management report.

Except for the potential effect of the above mentioned information, we have no other 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, 19 March 2010

KPMG Audit
A division of KPMG S.A.

Catherine Porta
Partner

Deloitte & Associés

Frédéric Neige
Partner

****

Balance sheet at December 31, 2009

ASSETS (In thousands of euros)	12/31/2009	12/31/2008
Non-current assets		
Intangible assets	3,453	3,476
Amortisation	(3,452)	(3,452)
Sub-total	**1**	**24**
Property, plant and equipment	23,036	22,153
Depreciation	(13,844)	(13,188)
Sub-total	**9,192**	**8,965**
Financial assets		
Equity investments	204,165	204,165
• Impairment provisions	(138,392)	(138,392)
Loans and advances to investee companies	156,111	155,993
• Impairment provisions	(156,111)	(155,993)
Loans		
• Impairment provisions		
Other	490	497
• Impairment provisions	(114)	(114)
Sub-total	**66,149**	**66,156**
I - TOTAL NON-CURRENT ASSETS	**75,342**	**75,144**
Current assets		
Inventories & work-in-progress	6,812	1,218
Impairment provisions		(253)
Sub-total	**6,812**	**965**
Advance payments on orders	271	987
Trade receivables	11,055	8,649
• Impairment provisions	(3,591)	(3,357)
Other receivables	2,956	4,727
• Impairment provisions	(1,606)	(1,330)
Marketable securities	5,225	4,267
• Impairment provisions	(117)	(217)
Cash	21,322	26,553
II - TOTAL CURRENT ASSETS	**42,326**	**41,243**
Prepaid expenses and deferred charges	23	46
Unrealised foreign exchange losses		
III - TOTAL	**117,691**	**116,434**

LIABILITIES (In thousands of euros)	12/31/2009	12/31/2008
Equity		
Share capital	47,920	47,916
Share premiums	783	783
Revaluation reserve	1,480	1,480
Statutory reserve	875	875
Regulated reserves		
Other reserves	660	660
Retained earnings	(6,263)	16,625
Special tax-allowance provisions	431	480
Net income/loss for the period	**2,416**	**(22,888)**
TOTAL EQUITY	**48,302**	**45,931**
Provisions for contingencies and charges		
Provisions for contingencies	4,811	18,394
Provisions for charges	22,974	23,608
II - TOTAL PROVISIONS	**27,785**	**42,002**
Liabilities		
Financial liabilities		
Bank borrowings	118	130
Other financial liabilities	10,478	11,581
Sub-total	**10,596**	**11,711**
Current liabilities		
Trade payables	6,968	4,407
Tax and employee-related liabilities	1,955	1,708
Liabilities to suppliers of non-current assets		
Other current liabilities	22,086	10,676
III - TOTAL LIABILITIES	**41,603**	**28,502**
Prepaid income		
Unrealised foreign exchange gains		
IV - TOTAL EQUITY AND LIABILITIES	**117,691**	**116,434**

Income statement at December 31, 2009

(In thousands of euros)	12/31/2009	12/31/2008
Sales of goods and services	48,308	58,604
Provision reversals	2,025	1,137
Other revenue and change in inventories	5,339	(2,793)
Total revenue	**55,673**	**56,947**
Purchases and change in inventories	(38,861)	(44,051)
Other purchases and external charges	(11,662)	(9,525)
Taxes other than on income	(90)	(1,003)
Staff costs	(2,804)	(2,762)
Amortisation, depreciation and provisions	(2,491)	(3,916)
Operating expenses	**(55,908)**	**(61,258)**
OPERATING INCOME	**(235)**	**(4,311)**
Interest and similar income	1,387	7,478
Provision reversals and expense transfers	100	59
Foreign exchange gains		
Financial income	**1,487**	**7,537**
Interest and similar expense		
Provision charge	(118)	(9,010)
Foreign exchange losses		
Financial expense	**(118)**	**(9,010)**
NET FINANCIAL INCOME/(EXPENSE)	**1,369**	**(1,473)**
INCOME BEFORE EXCEPTIONAL ITEMS	**1,134**	**(5,784)**
Net exceptional gains/(losses) on operating activities	(12,157)	(1,231)
Capital gains/(losses)	(69)	70
Net provision reversal/(charge)	13,507	(16,097)
NET EXCEPTIONAL INCOME/(EXPENSE)	**1,282**	**(17,258)**
Income before tax	**2,416**	**(23,042)**
Income tax expense		(153)
NET INCOME	**2,416**	**(22,888)**

Cash flow statement

(In thousands of euros)	12/31/2009	12/31/2008
Net income excluding dividends	1,666	(28,727)
Amortisation and depreciation	967	872
Changes in provisions	(13,991)	26,956
Gains and losses on disposals of non-current assets	69	(66)
OPERATING CASH FLOW	**(11,289)**	**(966)**
Change in inventories	(5,594)	4,007
Change in trade receivables and payables	14,321	(2,171)
NET CASH FROM OPERATING ACTIVITIES (A)	**(2,562)**	**870**
Purchases of non-current assets and increase in related receivables		
• Property, plant & equipment and intangible assets	(1,242)	(2,308)
• Financial assets	(120)	(309)
Disposals of non-current assets and decrease in related receivables		
• Property, plant & equipment and intangible assets	1	17
• Financial assets	10	199
Investment grants		
NET CASH FROM INVESTING ACTIVITIES (B)	**(1,350)**	**(2,402)**
FREE OPERATING CASH FLOW (C=A+B)	**(3,913)**	**(1,532)**
Capital contributions	4	462
Dividends paid		
Dividends received	750	5,839
Change in financial liabilities	(1,115)	(1,115)
Change in non-operating assets and liabilities		
NET CASH FROM FINANCING ACTIVITIES (D)	**(361)**	**5,186**
CHANGE IN CASH AND CASH EQUIVALENTS (C+D)	**(4,274)**	**3,654**

Intermediate income statement balances

(In thousands of euros)	12/31/2009	12/31/2008
Sales of goods		
Cost of goods sold		
Gross income		
Production sold	48,308	58,604
Production held in inventory	5,188	(2,839)
Non-current assets produced for own use		
Total production	**53,496**	**55,765**
Expense transfers	98	40
Purchases of raw materials, consumables and sub-contracting	(40,003)	(43,741)
Change in inventories of raw materials and consumables	406	(1,168)
Other expenses	(10,795)	(8,541)
External charges	**(50,392)**	**(53,451)**
ADDED-VALUE	**3,203**	**2,355**
Operating subsidies		
Taxes other than on income	(90)	(1,003)
Staff costs	(2,804)	(2,762)
EBITDA	**309**	**(1,411)**
Provision reversals	2,025	1,137
Other income	53	5
Amortisation, depreciation and provisions	(2,491)	(3,916)
Other expenses	(132)	(126)
OPERATING INCOME	**(235)**	**(4,311)**
Financial income	1,487	7,537
Financial expense	(118)	(9,010)
NET FINANCIAL INCOME/(EXPENSE)	**1,369**	**(1,473)**
INCOME BEFORE EXCEPTIONAL ITEMS	**1,134**	**(5,784)**
Exceptional income	16,503	2,495
Exceptional expense	(15,221)	(19,753)
NET EXCEPTIONAL INCOME/(EXPENSE)	**1,282**	**(17,258)**
Employee profit-sharing		
Income tax expense		153
NET INCOME	**2,416**	**(22,888)**

Gains or losses on asset disposals included in exceptional items:		
Proceeds from asset disposals	1	215
Net book value of assets sold	(70)	(149)
Capital gains or losses	(69)	66

Significant events in 2009 and subsequent events

Significant events

In 2009, lead prices rose from €682 a tonne at December 31, 2008 to €1,662 a tonne at December 31, 2009. However, the average price during the year was €1,225 a tonne, well below the 2008 average of €1,404.

In the lead business, the economic crisis led to a fall in volumes of secondary materials for processing (batteries) in the first half of 2009, although the deficit was made up in the second. During the year, 92,732 tonnes of batteries were processed compared with 83,686 tonnes in 2008.

Lawsuits

Two lawsuits initiated in 2006 are still in progress. The first was brought against Recylex SA by former employees of Metaleurop Nord SAS and the second was brought by the liquidators of Metaleurop Nord SAS.

Former employees of Metaleurop Nord SAS:

- On June 27, 2008, the Lens labour tribunal (Industry section) found that Recylex SA was the co-employer of 493 former non-managerial staff of Metaleurop Nord SAS, and awarded each claimant €30,000 in compensation and €300 in expenses. It also decided that these amounts, totalling about €14.9 million, should be incorporated into the Company's liabilities to be paid off in instalments under the terms of the continuation plan approved by the Paris Commercial Court on November 24, 2005. Recylex SA has appealed against these decisions. On December 18, 2009, the Douai Appeal Court partially upheld the labour tribunal's decision, ruling as follows:
    - Compensation was awarded to 460 unprotected former employees and Recylex SA was ordered to recognise these sums as liabilities totalling €12,421 thousand. In accordance with the continuation plan, 24% of the total compensation, corresponding to the first four instalments of the plan (2006 to 2009) has now been paid. The balance will be paid on November 24 each year as follows: 10% in 2010, 10% in 2011, 12% in 2012, 12% in 2013, 16% in 2014 and 16% in 2015.
    - Eleven cases involving unprotected former employees have been adjourned to a hearing on March 19, 2010 for various reasons (death of claimant, lack of documentation, employee made redundant before Metaleurop Nord SAS's liquidation);
    - Twenty-two claims made against Recylex SA by protected former employees (staff representatives) were rejected.

  Recylex SA has decided to go to higher appeal.
- On September 15, 2009, the Lens labour tribunal (Management section) found that Recylex SA was the co-employer of 90 former management employees of Metaleurop Nord SAS. Each claimant was awarded an identical sum of €30,000 in damages and €300 in expenses and Recylex SA was ordered to include these sums in its continuation plan liabilities to be paid off in instalments. Recylex SA has appealed against these decisions, thus suspending enforcement. A provision for the total amount of compensation claimed by the former managers of Metaleurop Nord SAS, representing €2.8 million, has been recognised in Recylex SA's financial statements.

The liquidators of Metaleurop Nord SAS:

The suit brought by the liquidators of Metaleurop Nord SAS, claiming the repayment by Recylex SA of €50 million of Metaleurop Nord SAS's liabilities, was rejected on February 27, 2007 by the Béthune Regional Court, which found that Recylex SA was not the *de facto* director of Metaleurop Nord SAS. The liquidators have appealed against the ruling. On November 18, 2008, the Douai Appeal Court decided to adjourn proceedings and invited the parties to refer the matter to France's *Conseil d'Etat*.

Recylex SA had argued that the action for repayment of liabilities brought by the liquidators of Metaleurop Nord SAS was inadmissible on the grounds that the liquidators had failed to state their claim in accordance with the law in the context of the court-supervised procedure to rehabilitate the Company begun on November 13, 2003. The liquidators relied on a regulatory provision which they claim dispensed them from doing so. In accordance with the decision of the Douai Appeal Court, Recylex SA made a legality assessment application to the *Conseil d'Etat* on February 12, 2009. The *Conseil d'Etat* must make its decision before the Douai Appeal Court can rule on either the admissibility or the merits of the case.

Recylex SA has not set aside any provisions in its parent-company financial statements for the proceedings initiated by Metaleurop Nord SAS's liquidators, given the judgment in Recylex SA's favour by the commercial section of the Béthune Regional Court that Recylex SA was not the *de facto* manager of Metaleurop Nord SAS.

It should be noted that the sums claimed with respect to Metaleurop Nord SAS's liabilities are not included in the continuity plan approved by the Paris Commercial Court on November 24, 2005 and that, if the final decisions in these proceedings go against Recylex SA, the implementation of the continuity plan could be jeopardised.

Recylex's continuation plan

Recylex SA continues to implement the continuation plan approved by the Paris Commercial Court on November 24, 2005. At December 31, 2009, following the Douai Appeal Court ruling of December 18, 2009, the compensation and expenses awarded to 460 former non-managerial employees of Metaleurop Nord SAS, totalling €12,421 thousand, were included in the continuation plan liabilities. The balance outstanding on the continuation plan liabilities amounts to €35 million payable over a six-year period. The fourth annual payment under the plan took place in November 2009, in an amount of around €2.3 million.

Following the Douai Appeal Court rulings of December 18, 2009, 24% of the total amount of compensation due to former non-managerial employees of Metaleurop Nord SAS, corresponding to the first four instalments of the continuation plan, i.e. approximately €3 million, has now been paid. The remaining 76% will be paid in accordance with the continuation plan schedule.

The fifth annual payment, due in November 2010, will be around €4.3 million.

Subsequent events

Metal prices rose slightly in early 2010 but remained well below the averages seen in the past few years.

During January and February 2010, lead prices moved between USD 2,000 and 2,600 a tonne.

During the Recylex SA liquidation proceedings that led to the continuation plan adopted on November 24, 2005, the creditors' representative had erroneously declared a debt in litigation at the Paris Commercial Court in the schedule of uncontested debts. As the debt had been definitively accepted in the schedule, the Company was forced to pay it under the continuation plan even though no ruling had been delivered on the substance of the case. The Company therefore decided to take a liability action against the creditors' representative. In a ruling on January 20, 2010, the Paris Regional Court ordered the creditors' representative to pay the Company the sum of €3 million in damages, with interim enforcement of €1 million. As this decision was appealed on 22 February 2010 by the creditors' representative, no gain was recognised at December 31, 2009.

Algeria

The used battery recycling plant in Algeria (operated by Algerian company Eco-Recycling in which Recylex SA owns a 33.33% interest) successfully passed its first trial phase in the first quarter of 2009 and received authorisation to begin production in January 2010.

NOTES TO THE FINANCIAL STATEMENTS OF RECYLEX SA

These notes refer to the balance sheet and income statement for the twelve months from 1 January to December 31, 2009. The balance sheet is shown before appropriation of net income for the period and total assets amount to €117,690,671.90. The income statement shows net income for the period of €2,416,216.53.
The notes and tables below form an integral part of the financial statements for the twelve months from January 1, 2009 to December 31, 2009.
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.

In the currently highly volatile market and given the difficulty of assessing economic prospects, the financial estimates used in the preparation of the financial statements for the year to December 31, 2009 are based on the best current estimates by the Company's management regarding the foreseeable future and use assumptions that include the effects of an economic crisis of limited duration.

Intangible assets
Software is amortised over its estimated useful life (one to five years).

Property, plant & 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 furnishings 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 not allocated to a share allotment plan if their market price falls below cost.

A provision for impairment is recognised against treasury shares allocated to a share allotment plan if their market price preceding the conclusion of the plan is lower than cost.

Free share allocations

The company applies CRC regulation 2008-15 of December 4, 2008 relating to the accounting treatment of employee stock option and free share allocation plans. This regulation states that, as soon as the company decides to allot free shares or stock options, it has an obligation to allot shares to its employees. Depending on the allotment arrangements, this obligation may or may not generate a liability or contingent liability. A liability must be recognised if the obligation to allot shares to employees is likely or certain to generate an outflow of resources that is not at least matched by an equivalent consideration. If the outflow of resources is not likely, the obligation meets the definition of a contingent liability. A provision is recognised based on the probable cost of buying the shares, the number of shares to be allotted given staff turnover, and changes in the value of shares and of services provided as consideration. Additions to and reversals of provisions and related charges are included in staff costs. The application of this regulation has no effect on prior periods.

Provisions for contingencies and charges

Provisions for contingencies and charges are measured in accordance with standard CRC 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.
The discount rate is based on the Bloomberg Corporate AA ten-year index at October 31, 2009. The index did not change significantly between October 31 and December 31, 2009. The rate used, which is 4.5%, is therefore in line with the market benchmark at the end of 2009.
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 abandoned 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 increased by €205 thousand. Capital expenditure for the year, on the Villefranche and Escaudoeuvres plants, amounted to €1,242 thousand.

Asset disposals and retirements amounted to €69 thousand net, comprising a gross value of €381 thousand less €312 thousand in accumulated depreciation.

Gross

		Increases	Decreases		
(In thousands of euros)	Gross at 01/01/2009	Acquisitions Production	Disposals Retirements	Inter-item transfers	Gross at 12/31/2009
Intangible assets	3,476		23		**3,453**
Land	3,224		1		**3,223**
Buildings	8,953	416	107	17	**9,278**
Plant, equipment & tools	7,185	433	211	94	**7,501**
Other	2,553	258	39	125	**2,897**
Property, plant and equipment in progress	239	134		(235)	**138**
Advance payments					
TOTAL	**25,629**	**1,242**	**381**	**0**	**26,489**

Statement of amortisation, depreciation and provisions

		Amortisation and depreciation			Impairment provisions		
	Accumulated amortisation, depreciation and Impairment provisions at 01/01/2009	Increases	Decreases	Inter-item transfers	Increases	Decreases	Accumulated amortisation, depreciation and impairment provisions at 12/31/2009
(In thousands of euros)		Straight-line charge for the period	Disposals Retirements		Charge	Reversal	
Intangible assets	3,452						**3,452**
Land	783	25					**809**
Buildings	6,265	320	86				**6,500**
Plant, equipment & tools	4,989	345	191	1			**5,143**
Other	1,151	277	34	(1)			**1,393**
TOTAL	**16,640**	**967**	**312**				**17,296**

NOTE 2. NON-CURRENT FINANCIAL ASSETS

The net value of financial assets decreased by €7 thousand.

Gross

(In thousands of euros)	Gross at 01/01/2009	Increases	Decreases	Gross at 12/31/2009	Maturity	
		Acquisitions	Disposals		Under one year	Over one year
Equity investments	204,165			204,165		204,165
Loans and advances to investee companies	155,993	117		156,111		156,111
Other long-term securities	126			126		126
Loans						
Other	371	3	10	363		363
TOTAL	**360,655**	**120**	**10**	**360,765**		**360,765**

Impairment provisions

(In thousands of euros)	Provisions at 01/01/2009	Increases		Decreases		Provisions at 12/31/2009
		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	
Equity investments	138,392					138,392
Loans and advances to investee companies	155,993	117				156,111
Other long-term securities	114					114
TOTAL	**294,499**	**117**				**294,616**

Value of property, plant & equipment and financial assets revalued in 1976

	Revalued depreciation at 12/31/2009						
	Revalued non-current assets			Depreciation margin used			
(In thousands of euros)	Gross value	Of which increase in value	Amount	During the period	Cumulative	Special provision or revaluation reserve at 12/31/2009	Depreciation margin used for assets sold during the period
I- Property, plant and equipment							
1) Depreciable							
Revalued							
Land	121	29	121		29		
Buildings	3,515	1,221	3,515		1,221		
Plant, equipment & tools	386	65	386		65		
Other	14	3	14		3		
Sub-total	**4,037**	**1,318**	**4,037**		**1,318**		
Not revalued	16,752		9,807				
Impairment losses							
2) Non depreciable							
Revalued land	1,793	1,480				1,480	
Not revalued	454						
TOTAL	**23,036**	**2,798**	**13,844**		**1,318**	**1,480**	

II- Non-current financial assets							
Equity investments							
Revalued	33,872	9,940			9,940		
Not revalued	170,293						
Sub-total	**204,165**	**9,940**			**9,940**		
Other long-term securities							
Not revalued	126						
TOTAL	**204,291**	**9,940**			**9,940**		

NOTE 3. INVENTORIES AND WORK-IN-PROGRESS

(in thousands of euros)	12/31/2009	12/31/2008
Raw materials and other supplies	888	482
Finished and semi-finished goods	5,924	736
TOTAL	**6,812**	**1,218**
Impairment provisions		253
NET TOTAL	**6,812**	**965**

The increase in inventories of raw materials was mainly due to an increase in battery prices directly related to lead prices (€1,593 a tonne in December 2009 versus €716 a tonne in December 2008). The increase in semi-finished goods was due partly to the increase in lead prices and partly to the increase in inventories at December 31, 2009 following a change in delivery method from "ex factory" to "delivered to client".

NOTE 4. CURRENT ASSETS AND PREPAID EXPENSES

(In thousands of euros)	12/31/2008	12/31/2009	Maturity of assets	
	Gross amount	Gross amount	Under one year	Over one year
Current assets				
Trade receivables	8,649	11,055	11,055	
Other receivables (*)	5,713	3,227	3,227	
Prepaid expenses	46	23	23	
TOTAL	**14,408**	**14,304**	**14,304**	

(*) Including €271 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

At December 31, 2009, the share capital comprised 23,959,982 fully paid-up shares each with a par value of €2.
At December 31, 2009, there were no employee share ownership or other similar plans.

	Number of shares	Par value (€)
Ordinary shares at December 31, 2008	23,957,982	2.00
Ordinary shares at December 31, 2009	23,959,982	2.00

Ordinary shares in issue and fully paid-up	Number of shares	Par value (€)	Share capital (in thousands of euros)	Share premiums (in thousands of euros)
At January 1, 2009	23,957,982	2.00	47,916	783
Issuance of shares following exercise of stock options between January 1 and December 31, 2009	2,000	2.00	4	
AT DECEMBER 31, 2009	**23,959,982**	**2.00**	**47,920**	**783**

The share capital was increased from €47,916 thousand to €47,920 thousand through the issuance of 2,000 new shares between January 1, 2009 and December 31, 2009 following the exercise of stock options.

Treasury shares

	12/31/2009	12/31/2008
Number of treasury shares	73,939	73,939
Value of treasury shares held (in thousands of euros)	387	287

The Company holds 73,939 treasury shares, acquired between September 2000 and June 2001 as part of a share buyback programme authorised by the Annual General Meeting of March 30 2000. Their average purchase price was €6.81.

The €100,126.22 impairment provision against the 23,939 treasury shares not allocated to a free share allotment plan was reversed in full at December 31, 2009.

The General Meetings of July 16, 2007 and May 6, 2008 authorised the Board of Directors to allocate, in one or more sections, existing treasury shares held by the Company up to a total not exceeding 73,939 shares, to the benefit of all or some of the employees and/or company officers of the Company and/or related companies as defined in article L. 225-197-2 of the French Commercial Code.

Free share allocations

On September 26, 2008, in accordance with the authorisation given by shareholders in the Annual General Meeting, the Board of Directors of the Company introduced a plan to allocate 50,000 free shares to employees and company officers of the Group. These shares will vest after two years (on September 26, 2010) for beneficiaries residing in France and after four years (on September 26, 2012) for beneficiaries residing in Germany, subject to their being employed by a Group company on the vesting date, unless otherwise provided for by the plan. Vested shares held by beneficiaries residing in France must be held for a minimum period of two years after vesting (ending on September 26, 2012).

		Contractual residual life	
	Number of shares	France	Germany
Balance at December 31, 2008	50,000	1.75	3.79
- allotted			
- cancelled			
- exercised			
Balance at December 31, 2009	**50,000**	0.75	2.77

Stock options

Details of existing plans

At the Annual General Meetings of June 26, 1995 and March 30, 2000, shareholders authorised the introduction of stock option plans, relating to 5% and 6% of the share capital respectively. Between 1998 and 2002, the Management Board granted stock options under these authorisations.

On September 26, 2008, the Board of Directors allotted stock options to certain Group members, in accordance with the authorisation given by shareholders in the Annual General Meeting of July 28, 2006, relating to 3% of the share capital.

Options granted by the Management Board or Board of Directors	04/26/1999	05/03/2000	09/20/2002	09/26/2008	Total
Number of options initially granted	544,500	253,900	275,650	540,000	1,614,050
Number of options outstanding at 12/31/2008	119,000	64,900	67,900	-	251,800
Number of options exercised in 2009			2,000		
Number of options lapsed at 12/31/2009	119,000			5,000	124,000
Number of options outstanding at 12/31/2009 (representing a total of 2.78% of the share capital)	-	64,900	65,900	535,000	665,800
Number of options exercisable at 12/31/2009	-	64,900	65,900	-	130,800
Number of optionees at 12/31/2009	-	24	27	46	
Exercise price (€)	5.30	7.50	2.21	5.70	
Exercise date					
Earliest	04/26/2004	05/03/2004	09/20/2006	09/26/2012 (50%) 09/26/2013 (50%)	
Latest	04/25/2009	05/02/2010	09/20/2012	09/25/2018	

At December 31, 2009, the maximum number of shares to be created is 130,800, after deducting stock options not yet vested at that date and options allotted to employees who have left the Group and whose options have therefore lapsed.

Statement of changes in equity

Changes in equity:

(In thousands of euros)	12/31/2009	12/31/2008
1. Equity at the previous year's close before appropriation of earnings	68,819	43,016
2. Transfer of previous years' earnings to retained earnings by resolution of the general meeting	(22,888)	25,377
Opening equity	**45,931**	**68,393**
Changes during the period:		
Change in share capital	4	92
Change in share premiums, reserves and retained earnings		
- Reduction		
- Increase		374
Charge to/reversal of provision for excess tax depreciation	(49)	(36)
Investment grants		
Reversal of revaluation reserve		(4)
Reversal of special revaluation provision		
Closing equity before net income for the period	**45,886**	**68,819**
NET INCOME/LOSS FOR THE PERIOD	**2,416**	**(22,888)**
Closing equity including net income but before appropriation	**48,302**	**45,931**

Diluted earnings per share

	12/31/2009	12/31/2008
Net income attributable to holders of ordinary shares	2,416,217	(22,888,446)
Weighted average number of ordinary shares used to calculate basic earnings per share	23,959,982	23,957,982
Impact of dilution:		
Stock options	665,800	791,800
Weighted average number of ordinary shares adjusted to calculate diluted earnings per share	24,625,782	24,749,782
DILUTED EARNINGS PER SHARE	**0.10**	**(0.92)**

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, 2009:

	At 12/31/2009	
	Shares	Exercisable voting rights
Glencore Finance Bermuda Ltd	32.16%	32.22%
Free float	67.54%	67.78%
Treasury shares	0.3%	

On June 9, 2009, Amiral Gestion disclosed that its interest had fallen below the 5% disclosure threshold in terms of share capital and voting rights on June 2, 2009, and that since that date, it had owned less than 5% of share capital and voting rights.

Share performance

	2009	2008
High	10.10	17.33
Low	2.34	2.05
Share price on the closing date	8.90	2.49
MARKET CAPITALISATION ON THE CLOSING DATE (in millions of euros)	**213.2**	**59.7**

During 2009, the shares touched a low of €2.34 on March 6 and a high of €10.10 on September 16.

NOTE 7. PROVISIONS (OTHER THAN AGAINST NON-CURRENT ASSETS)

Provisions for contingencies and charges decreased by €14,217 thousand and provisions for impairment increased by €154 thousand in 2009.

Statement of provisions

(In thousands of euros)	Provisions at 12/31/2008	Increases: Charge for the period	Decreases: Reversals during the period: Utilised	Decreases: Reversals during the period: Not utilised	Reclassifications during the period	Provisions at 12/31/2009
Provisions for contingencies and charges						
Environmental costs	22,799	1,537	2,071			22,265
Restructuring of industrial sites	356		15	74		267
Pension liabilities	352	45	125			271
Other	18,494	1,465	12,447	2,532		4,981
Sub-total	**42,002**	**3,047**	**14,658**	**2,606**		**27,785**
Provisions for impairment						
Trade receivables	3,357	248	14			3,591
Other	1,803	276		356		1,723
Sub-total	**5,161**	**524**	**14**	**356**		**5,315**
TOTAL	**47,163**	**3,571**	**14,672**	**2,962**		**33,100**
Provision charges and reversals						
- Operating provisions		1,524	1,699	329		
- Financial provisions				100		
- Exceptional provisions		2,047	12,973	2,532		

The decrease in provisions for contingencies and charges was mainly due to the Douai Appeal Court ruling which partially upheld the labour tribunal rulings, ordering Recylex SA to include the sum of €12,421 thousand in compensation and expenses for 460 former employees of Metaleurop Nord SAS in its continuation plan liabilities. A provision of €14,937 thousand had already been taken for this risk. The increase in impairment provisions was due to the €425 thousand increase in the Norzinco SA loan, which has been provided for in full.

Provisions for inventories and treasury shares not allocated to a free share allotment plan were reversed in the sum of €253 thousand and €100 thousand respectively.

At December 31, 2009, 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 €1,115 thousand, mainly as a result of the fourth dividend payment under the continuation plan.

Current liabilities increased by €14,217 thousand mainly due to the Douai Appeal Court ruling which partially upheld the labour tribunal rulings, ordering Recylex SA to include the sum of €12,421 thousand in compensation and expenses for 460 former employees of Metaleurop Nord SAS in its continuation plan liabilities.

Statement of liabilities

(in thousands of euros)	12/31/2008 Amount	12/31/2009 Amount	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	130	118	16	78	25			118
Other borrowings and financial liabilities	11,581	10,478	1,379	6,893	2,206	1,776		10,478
TOTAL	**11,711**	**10,596**	**1,394**	**6,971**	**2,231**	**1,776**		**10,596**
Current liabilities								
Trade payables	4,407	6,968	6,067	682	218		2,653	1,042
Tax and employee-related liabilities	1,708	1,955	1,333	471	151		535	716
Liabilities to suppliers of non-current assets								
Other current liabilities	10,676	22,086	5,694	12,418	3,974			21,859
TOTAL	**16,791**	**31,008**	**13,094**	**13,571**	**4,343**		**3,188**	**23,617**

(1) See note 16 for information on collateral.

At December 31, 2009, "Other liabilities" did not include any 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	65,773	60,704	
Loans and advances to investee companies (1)			
Loans			
Other long-term securities	12		
Other non-current financial assets	363		
Advance payments on orders	271		
Trade receivables (2)	7,463	7,404	
Other receivables	1,350		
Marketable securities	5,108		
Cash	21,322		
Liabilities			
Bond issue			
Bank borrowings	118		
Other financial liabilities	10,478		
Trade payables	6,968	1,245	
Tax and employee-related liabilities	1,955		
Amounts due to suppliers of non-current assets			
Other current liabilities (3)	22,086	4,824	

(1) Including accrued income: 0
(2) Including accrued income: 0
(3) Including prepaid income: 0

Notes to the income statement

NOTE 10. SALES OF GOODS AND SERVICES

Sales break down as follows:

(In thousands of euros)	2009	2008
By business segment		
Production plants	47,067	56,688
Wholesaling		
Other	1,241	1,916
TOTAL	**48,308**	**58,604**

(In thousands of euros)	2009	2008
By geographical segment		
France	2,120	2,831
International	46,188	55,772
TOTAL	**48,308**	**58,604**

NOTE 11. DIRECTORS' FEES

Directors' fees allocated by the Company to members of the Board of Directors: €497,416.

NOTE 12. EXCEPTIONAL INCOME AND EXPENSE

The exceptional gain of €1,282 thousand mainly comprises:

- An exceptional gain and a definitive exceptional charge arising from the €14,938 thousand provision reversal. This reversal led to a net gain of €2,517 thousand and the inclusion of €12,421 thousand in the continuation plan liabilities following the Douai Appeal Court ruling;
- €62 thousand in additional costs for the rehabilitation of the L'Estaque site compared with the provision previously taken;
- €670 thousand in additional provisions for the rehabilitation of the L'Estaque site;
- €877 thousand in compensations (gain) following the settlement of a dispute with a service provider.

(In thousands of euros)	2009	2008
Net exceptional gains on operating activities	(12,157)	(1,231)
TOTAL	**(12,157)**	**(1,231)**
Capital gains/losses		
- Disposal of equity investments and other long-term securities		85
- Disposal of property, plant and equipment and intangible assets	(69)	(19)
- Other		4
TOTAL	**(69)**	**70**
Net provision charge/reversal		
- Excess tax depreciation, special provision and revaluation reserve	49	(4)
- Provisions for securities and other risks	13,458	(16,094)
- Provisions for impairment of advances and trade receivables		
TOTAL	**13,507**	**(16,097)**
NET EXCEPTIONAL INCOME/(EXPENSE)	**1,282**	**(17,258)**

NOTE 13. TRANSACTION COSTS INCLUDED IN PURCHASES

Purchases of raw materials include transportation, transportation insurance and freight commission expenses in the sum of €2,599 thousand.

NOTE 14. FINANCIAL INCOME AND EXPENSE CONCERNING RELATED COMPANIES

(In thousands of euros)	Total	Concerning related companies
Financial income		
From equity investments	750	
From other securities and non-current receivables	135	135
Other interest and similar income	502	25
Foreign exchange gains		
Provision reversals	100	
TOTAL	**1,487**	**159**
Financial expense		
Provision charges	118	117
Interest and similar expense		
Foreign exchange losses		
TOTAL	**118**	**117**

Other information

NOTE 15. EMPLOYEES

	Unskilled	Clerical, technical and supervisory	Management	Total 2009	Total 2008
Employees of the company					
- Full presence throughout the year	10	13	8	31	30
- Presence for less than the full year	1	2		3	6
TOTAL	**11**	**15**	**8**	**34**	**36**

At January 1, 2010, these employees had accumulated a total of 2,127.24 hours of continuous training rights (DIF). No training in respect of those rights was claimed in 2009.

NOTE 16. OTHER OFF-BALANCE SHEET COMMITMENTS

Commitments given

(In thousands of euros)	12/31/2009	12/31/2008
Guarantees and similar	1,776	1,963
Forward currency purchases and sales		
TOTAL	**1,776**	**1,963**

Commitments received

(in thousands of euros)	12/31/2009	12/31/2008
Guarantees and similar		
Forward currency purchases and sales		
TOTAL	-	-

The mortgage over the L'Estaque land granted to the French water agency was maintained under the continuation plan.

On the 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	(431)
- Deferred tax assets	
Provisions not deductible in the year of recognition:	
- Provision for long-service awards	61
- Provision for staff indemnities and allowances	278
- Provision for various charges	20,106
- Provision for free share allocations	36
- Provision for various contingencies	3,015
- Provision for impairment of non-current financial assets	
- Provision for loans and advances to investee companies and other non-current financial assets	294,616
- Provision for Group account receivables	1,674
Accrued expenses not deductible in the year of recognition	85
TOTAL	**319,441**

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	122,191
At 8%	- Long-term capital losses	

NOTE 19. GROUP TAX RELIEF

On October 1, 1994, the Company elected for group tax relief. In 2009, the tax consolidation group included the following subsidiaries:

Recylex Commercial SAS, C2P SAS, Delot Metal SAS and Norzinco 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, 2009

(In thousands of euros)	Share capital	Other equity	% interest	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				
1 – Subsidiaries (interest of more than 50%)											
Metaleurop Nord SAS, France (in liquidation)	16,769	N/A	100	59,511		130,254			N/A	N/A	
Recylex Commercial SAS, France	152	101	100	152	152				380	74	
C2P SAS, France	900	2,323	100	1,708	1,708				6,693	(127)	
Delot Métal SAS, France	999	(5,303)	100	44,756	0	4,296			0	(93)	
Recylex GmbH, Germany	25,565	16,265	100	56,976	56,976				1,440	(4,389)	
Fonderie et Manufacture de Métaux SA, Belgium	475	3,733	100	1,867	1,867				18,097	579	
2 – Equity investments (interest of 50% or less)											
Recytech SA, France	6,240	10,862	50	4,865	4,865				15,001	1,089	750
3 – Aggregate data for other subsidiaries and equity investments											
. Subsidiaries				34,125		21,561					
. Equity investments				205	205						

NOTE 21. LIABILITIES RESCHEDULED UNDER THE CONTINUATION PLAN

Following Recylex SA's filing for insolvency on October 21, 2003 and the commencement of administration 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.

On December 18, 2009, the Douai Appeal Court partially upheld the labour tribunal rulings awarding compensation to former unprotected employees and ordering Recylex SA to include the compensation totalling €12,421 thousand in its continuation plan.
24% of the total compensation, corresponding to the first four instalments of the plan (2006 to 2009) was paid on February 18, 2010. The balance will be paid on November 24 each year as follows: 10% in 2010, 10% in 2011, 12% in 2012, 12% in 2013, 16% in 2014 and 16% in 2015. The compensation payable in 2010 amounts to €4,223 thousand (34% of the total) and has been recognised under "Liabilities rescheduled under the continuation plan".

Balance sheet analysis of liabilities rescheduled under the continuation plan

Analysis of rescheduled liabilities (in thousands of euros)	December 31, 2009	December 31, 2008
Provisions for contingencies and charges	587	587
Bank borrowings	118	130
Miscellaneous financial liabilities (including accrued interest)	10,478	11,581
Trade payables	1,042	1,156
Tax and employee-related liabilities	716	813
Miscellaneous liabilities	21,859	10,424
Liabilities rescheduled under the continuation plan	34,799	24,691

Analysis by maturity of liabilities rescheduled under the continuation plan

Rescheduled liabilities (by maturity) *(In thousands of euros)*	December 31, 2009			
	Under one year	*One to five years*	*Over five years*	*Total*
Rescheduled liabilities	7,297	20,835	6,667	34,799

NOTE 22. ENVIRONMENTAL INFORMATION

Background

In France, Recylex SA manages, under its direct responsibility, two operational sites in Villefranche-sur-Saône (Rhône) and Escaudoeuvres (Nord), as well as the closed site at L'Estaque-Marseille (Bouches-du-Rhône). Three other sites are managed by subsidiaries: C2P SAS in Villefranche-sur-Saône, Norzinco SA in Anzin (Nord), a classified site under the Seveso directive (now closed) and Recytech SA, in which the Company holds a 50% stake, in 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, Recylex SA assumed responsibility for thirty or so mining concessions in France, two of which were still being operated at the time. Recylex SA defined a programme of securing its mining concessions, which was validated and kept updated with the French industry ministry and local authorities.
At December 31, 2009, Recylex SA was still responsible for the security of fifteen mining concessions.

Environment-related provisions and contingent liabilities

Recylex SA's activities are subject to local, national and international regulations relating to the environment and industrial safety. These regulations are constantly changing and impose numerous requirements. As a result, these activities carry a risk that Recylex SA will be held liable for matters including site clean-up and industrial safety.
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 abandoned 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.
At end-2009, environmental provisions recognised by Recylex SA totalled €22,265 thousand, covering the present value of all forecastable expenditure based on the required remediation timeframe, which may last until 2012.
The amounts recognised represent the best estimates based on reports and technical studies by independent experts.
Expenses recognised in 2009 totalled €2,563 thousand, covering the cost of surveys and of work to minimise environmental impacts and restore sites, along with the cost of operating long-standing pollution treatment facilities.
Recylex SA cannot rule out the possibility that assumptions used to calculate these provisions will have to be revised. As a result, the Company monitors these provisions to take into account changes in regulations, the interpretation and application of regulations by the authorities, technical, hydrological and geological constraints relating to environmental remediation issues, and the discovery of pollution not currently identified.
Environmental provisions and contingent liabilities identified by Recylex SA are discussed below.

Mining concessions

Provisions set aside as part of the procedure of giving up rights to operate mining concessions.

Recylex SA still holds mining concessions on which operations have ceased. Work to rehabilitate these former mining sites and make them safe is taking place under a multi-year plan approved and revised in conjunction with local authorities and government organisations. In 2009, the assessment of additional work required at several mines led to €867 thousand of additional provisions. The aggregate amount of provisions covering the entire former mining site rehabilitation programme came to €5,558 thousand at December 31, 2009.
At the end of 2009, Recylex SA had mining rights at fifteen concessions, after giving up fourteen concessions since 2004.

Monitoring of contingent liabilities relating to former mining sites

With regard to the Saint Laurent Le Minier mining site, the French environment ministry has launched an epidemiological investigation, at its own expense, 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. The results of this investigation were expected in 2009, and may give rise to requests for additional work.
As regards the Saint Sébastien d'Aigrefeuille mining site in the Gard region, in 2007 the Administrative Court rejected the request to cancel orders of the prefect requiring Recylex SA to secure a former mining waste storage facility. Recylex SA appealed against this ruling, which was overturned by the Marseille Appeal Court on December 3, 2009.

Closed sites

- **L'Estaque**

After operations at the L'Estaque facility were discontinued in February 2001, the order of the prefect on December 23, 2002 defined the programme to restore the site, setting post-treatment ground quality targets and defining technical requirements relating to the storage of mining waste. On November 3, 2008, an additional order set the deadline for completing all rehabilitation work as December 31, 2011.
The impact on the local environment was caused by metal mining waste and demolition waste, which will have to be stored in underground storage cells to be built on-site. An application to build these storage cells was discussed with the Marseille municipal authorities and the government authorities throughout 2009, which will delay the process by about one year. A new local authority order is currently being prepared to set the timetable.
In 2009, an additional provision of €670 thousand was recognised given the extra year required to complete the work.
The aggregate amount of provisions covering the L'Estaque site rehabilitation programme came to €16,707 thousand at December 31, 2009.

- **Norzinco SA**

Norzinco SA began the process of discontinuing its zinc-recycling business in October 2008. The Prefect of the Nord department of northern France formally acknowledged the completion of the discontinuation process by letter dated August 18, 2009.

Active sites

In the absence of regulatory obligations, no provisions are set aside for the cost of site remediation work that Recylex SA would bear on the closure of active sites.

Other information

During 2009, Recylex SA was not involved in any legal proceedings leading to fines for non-compliance with its regulatory obligations. Recylex SA was not granted any public environmental funds or subsidies in 2009.

Inventory of securities held at December 31, 2009

Long-term investments and marketable securities

(In thousands of euros)

Issuing company	Net carrying amount
I - Subsidiaries & equity investments	
a) Foreign	
Recylex GmbH	56,977
Fonderie et Manufacture de Métaux SA	1,867
Other	204
	59,048
b) French	
Metaleurop Nord SAS	
Recylex Commercial SAS	152
Recytech SA	4,865
C2P SAS	1,708
Delot Métal SA	
Other	
	6,725
TOTAL SUBSIDIARIES & EQUITY INVESTMENTS	**65,773**
II – Other long-term securities and marketable securities	
Long-term securities	12
Treasury shares	387
Other marketable securities	4,721
TOTAL OTHER LONG-TERM SECURITIES AND MARKETABLE SECURITIES	**5,120**
TOTAL SECURITIES	**70,893**

Appropriation of earnings

*(*In thousands of euros)

Appropriation of earnings

1. Net income/loss for the period	2,416
of which income on ordinary activities after tax	1,134
2. Transfer to retained earnings	2,416
3. Transfer to statutory reserve	

STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

Year ended 31 December 2009

This is a free translation into English of the statutory auditor's report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users. The statutory auditor's report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditor's assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 December 2009, on:

- the audit of the accompanying financial statements of Recylex S.A.;
- the justification of our assessments;
- the specific verifications and information 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 involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2009 and of the results of its operations for the year then ended in accordance with French accounting principles.

Without qualifying the conclusion expressed above, we draw attention to the uncertainties set out in note "Significant events in 2009 and subsequent events- § Lawsuits" to the financial statements:

- The lawsuit, brought in 2006 against the company by the liquidators of Metaleurop Nord SAS claiming the repayment by Recylex SA of €50 million of Metaleurop Nord SAS' liabilities, is pending before the commercial division of the Douai Appeal Court, following the liquidators' appeal against the decision delivered on February 27, 2007 by the Béthune Regional Court, which ruled that Recylex SA was not a de facto manager of Metaleurop Nord SAS. The Douai Appeal Court issued a stay of proceedings on November 18, 2008 and invited the parties to bring the matter before the "Conseil d'Etat". Pursuant to the judgment of Douai Appeal Court, on February 12, 2009 Recylex S.A. applied to the "Conseil d'Etat" for a preliminary ruling on legality. The preliminary ruling from the “Conseil d'Etat” is awaited before the Douai Appeal Court can rule on either the admissibility or the merits of the case.

Based on the ruling in favour of Recylex S.A. of the Tribunal de Grande Instance de Béthune, the company did not deem it necessary to set aside any provisions in the financial statements as at 31 December 2009.

Should the outcome of both lawsuits be unfavourable to Recylex S.A., execution of the continuation and going concern plan could be called into question.

2. Justification of our assessments

The financial crisis that was accompanied by an economic crisis leads to various consequences for companies and in particular regarding their activity and financing. These elements have been considered by your company to assess the going concern assumption adopted for the preparation of the financial statements for year ended 31 December 2009. The very high volatility of the financial markets that remained active, the growing shortage of the transactions on the financial markets that became inactive, as well as the lack of visibility on the future create specific conditions this year for financial statements' preparation, in particular regarding accounting estimates that are required in accordance with accounting standards. These conditions are described in note “Significant accounting policies” to the financial statements. We have made our own assessments in this context of uncertainty that we bring to your attention in accordance with the requirements of article L.823-9 of the French Commercial Code ("Code de commerce").

- Going concern

Based on our work and the information you have communicated 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 group's ability to continue as a going concern.

- Provisions

As specified in notes “Significant accounting policies” and 7 to the financial statements, your company books provisions to cover various risks. Based on the information available at the time of our audit, we assessed the data and assumptions made; we examined 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 said provisions provided in the notes to the financial statements at 31 December 2009 were appropriate.

- Financial assets

As described in the note “Significant accounting policies” 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 theses bases, we ensured that the estimates made by the Company were reasonable.

The assessments were made in the context of our audit of the financial statements, taken as a whole, and therefore contributed to the formation of the opinion expressed in the first part of this report.

3. Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

Except for the potential effect of the above mentioned information, we have no other matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L.225-102-1 of the French Commercial Code ("Code de commerce") relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

The Statutory Auditors

Paris La Défense and Neuilly-sur-Seine, 19 March 2010

KPMG Audit *A division of KPMG S.A.*	Deloitte § Associés
Catherine Porta *Partner*	Frédéric Neige *Partner*

REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

(pursuant to Article L. 225-37 of the French Commercial Code)

Ladies and Gentlemen,

Pursuant to the provisions of Article L. 225-37, paragraph 6 of the French Commercial Code, I hereby report to you on:

- recommendations relating to the December 2008 version of the AFEP/MEDEF Corporate Governance Code,
- the membership of the Board of Directors of Recylex SA (the "Company") and the conditions under which its work was prepared and organised in the year ended 31 December 2009,
- the principles and rules decided by the Board of Directors to determine the remuneration and benefits in kind awarded to corporate officers,
- the restrictions placed by the Board of Directors on the powers of the Company's Chief Executive Officer,
- specific conditions relating to shareholders' participation in the Shareholders' Meeting,
- the internal control and risk management procedures implemented by the Company, especially procedures relating to the preparation and processing of accounting and financial information.

The information stipulated at Article L. 225-100-3 of the French Commercial Code (information liable to have an influence during a tender offer) is contained in Section 2.16 of the management report (the report may be consulted on the Company's website[10]) to which this report is attached.

In the context of this report, except where otherwise specified the term "Group" means the Company and its subsidiaries within the meaning of Article L. 223-1 of the French Commercial Code.

This report was reviewed and approved by the Board of Directors at its meeting on 19 March 2010 and may be consulted on the Company's website,[11] in accordance with Article L. 225-37 of the French Commercial Code and Article 221-3 of the General Regulation of the Autorité des Marchés Financiers.

The Company's auditors have issued a special report setting out their observations on this report concerning internal control procedures relating to the preparation and processing of accounting and financial information contained in this report.

1. RECOMMENDATIONS OF THE AFEP/MEDEF CORPORATE GOVERNANCE CODE

The Company wishes to have best practice in corporate governance as its benchmark. At its meeting on 13 November 2008, the Board of Directors decided that the Company should refer to the AFEP/MEDEF Corporate Governance Code, which combines the October 2003 AFEP/MEDEF report with their recommendations of January 2007 and October 2008 on the remuneration of senior executives who are corporate officers of listed companies (the "Code"). The consolidated version of the December 2008 version of the Code may be consulted (in French) on the Company's website.[12]

The Remuneration and Nomination Committee prepared a report on the Company's corporate governance arrangements in the light of the Code's provisions. The chairman of the Remuneration and Nomination Committee presented the report to the Board of Directors at its meeting on 19 March 2009. On the basis of that report the Board identified the recommendations from which the Company departs, inter alia on account of the specific nature of its business and its current structure arising from the recent events it has faced, culminating in the adoption of a continuation plan on 24 November 2005. The Board considered that the Company needs to take further steps to comply with the following recommendations of the Code in particular:

---

[10] *www.recylex.fr (English version) – Shareholders / Investors – Annual Reports*
[11] *www.recylex.fr (English version) – Shareholders / Investors – Annual Reports*
[12] *(www.recylex.fr – Rubrique Actionnaires / Investisseurs – Gouvernement d'entreprise et Rubrique Actionnaires / Investisseurs – Documents à télécharger)*

- the Board of Directors and specialist committees should include a significant proportion of members meeting the criteria for independence defined by the Code (see Section 2.1.1 of this report);
- procedures for selecting new directors and planning the succession of corporate officers should be introduced (point 15.2 of the Code);
- each director should hold a relatively significant number of shares in a personal capacity (see Section 2.1.1 of this report);
- the award of shares to corporate officers should be conditional on performance (see Section 3 of this report);
- the variable portion of directors' fees should be linked to attendance at Board meetings (see Section 3.1 of this report);
- the employment contract should terminate in the event of appointment as a corporate officer (see Section 3.2.2 of this report);
- the work of certain specialist committees should be formally defined (see Section 2.2.1 of this report);
- an evaluation process for the Board of Directors and specialist committees should be introduced (see Section 2.3 of this report);
- internal audits should be monitored (point 13 of the Code);
- the Audit Committee should review financial statements at least two days before they are reviewed by the Board (see Section 2.2.2 of this report);
- the company's credit ratings should be published by credit rating agencies (point 2.2 of the Code).

2. PREPARATION AND ORGANISATION OF THE BOARD'S WORK

2.1 Membership, organisation and operation of the Board

2.1.1 Membership of the Board

The Board of Directors had five directors at 31 December 2009.

Under the Company's by-laws, directors are elected for a three-year term. The Company therefore complies with the Code, which recommends that a director's term of office should not exceed four years so that shareholders have sufficiently frequent opportunity to consider the election of directors.

The membership of the Board at 31 December 2009 was as follows:

Name	Position	Age at 31.12.2009	First appointment / Most recent renewal	Term expires	Number of shares in the Company
Yves Roche	Chairman and CEO	40	21 April 2005 / 6 May 2008	Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2010	20
Aristotelis Mistakidis	Director	48	20 September 2002 / 6 May 2008	Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2010	100
Richard Robinson	Director	56	8 April 2003 / 12 May 2009	Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2011	20
Mathias Pfeiffer	Director	64	28 July 2006 / 12 May 2009	Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2011	20
Jean-Pierre	Director	52	12 May 2009	Shareholders' Meeting	20

Thomas				called to approve the financial statements for the year ending 31 December 2011	

✓ Combined Chairman and CEO

The Company is a French joint stock corporation with a Board of Directors that has decided to combine the functions of Chairman and Chief Executive Officer.

At its meeting on 6 May 2008, the Board decided to renew Mr. Yves Roche's term of office as Chairman and CEO and to continue to combine the two functions.

At its meeting on 19 March 2009, the Board deemed that in view of the Company's current structure there was no good reason to separate the functions of Chairman and Chief Executive Officer and that such a separation was not likely to improve the management of the Company or the operation of the Board, whose collegial discussion of all matters continued to be important for the Group.

✓ Number of shares held by directors

Under the Company's by-laws, each director must own at least 20 shares in the Company.

The Company partly complies with the Code, which recommends that each director should be a shareholder in a personal capacity and, whatever the requirements under the by-laws, own a relatively significant number of shares.

The Company has decided to refer to this principle for executive directors but considers that owning a substantial number of shares in the Company is not likely to improve the involvement and commitment of non-executive directors in the performance of their assignment.

✓ Independence of directors

According to the Code, "a director is independent when he or she has no relationship of any kind whatsoever with the corporation, its group or the management of either that is such as to colour his or her judgment".

On the basis of proposals from the Remuneration and Nomination Committee, the Board of Directors applied the following criteria for qualification as an independent director defined in the Code to each of its members:

- the director is not an employee or corporate officer of the Company or an employee or director of its parent or of one of its consolidated subsidiaries and has not been one during the previous five years;

- the director is not a corporate officer of a company in which the Company directly or indirectly holds a directorship or in which a directorship is held by an employee of the Company designated as such or by a person who is currently a corporate officer of the Company or has been one in the last five years;

- the director is not, or is not directly or indirectly linked to, a customer, supplier, investment banker or commercial banker:
  - which is material for the Company or its group, or
  - for which the Company or its group represents a material proportion of its activity;

- the director does not have any close family ties with a corporate officer of the Company;

- the director has not been an auditor of the company during the past five years;

- the director has not been a director of the Company for more than twelve years.

At its meeting on 19 March 2009, the Board deemed that Yves Roche, an executive director of the Company, and Aristotelis Mistakidis, representing the Company's core shareholder, were not independent directors. Following its review, the Board also deemed that Richard Robinson and Mathias Pfeiffer cannot qualify as independent directors on account of services rendered to the Company or its subsidiaries outside the exercise of their directorship.

The Board consequently decided, on a proposal from the Remuneration and Nomination Committee, to ask the Shareholders' Meeting on 12 May 2009 to approve the appointment of an additional director meeting the independence criteria defined by the Code and by the Board at its meeting on 19 March 2009 with a view to strengthening the Company's development strategy. However, despite the appointment of Jean-Pierre Thomas as an independent director at the above-mentioned Shareholders' Meeting, the Company does not fully comply with the Code's recommendations regarding the proportion of independent directors. The Code recommends that half the directors should be independent, but such a proportion is difficult to achieve given the Company's current size and structure arising from the events it has faced, culminating in the adoption of a continuation plan on 24 November 2005.

It should be emphasised that a designation as independent director does not imply a value judgment. Independent directors are not by their personal qualities supposed to be different from the other directors in a way that would make them more disposed to act in the interests of the shareholders. Each director is informed of the essential responsibilities entrusted to him and remains sensitive to the interest of all shareholders in the Board's discussions and decisions.

2.1.2 Organisation and operation of the Board

✓ Conditions for the organisation and operation of the Board

The conditions for the organisation and operation of the Board are determined in the by-laws and defined in rules of procedure that can be consulted on the Company's website.[13] The most recent amendments to the rules of procedure, introduced on 19 March 2009, are designed to improve the Board's governance procedures, formalise certain existing practices and take account of regulatory changes.

✓ Missions of the Board of Directors

The rules of procedure of the Board of Directors state that:

- The Board of Directors shall determine the Company's business policies and ensure that they are implemented. Subject to the powers expressly allocated by law to Shareholders' Meetings, and within the limits of the Company's corporate purpose, the Board shall consider any question concerning the proper running of the Company and shall settle any affairs concerning it in its deliberations.

- The Board of Directors shall refer to the Shareholders' Meeting if an operation concerns a significant part of the group's assets or activities.

- The Board of Directors shall perform any controls and verifications that it deems appropriate.

✓ Board of Directors meetings

The Board met six times in 2009, with an average attendance rate of 96.7%. Meetings lasted two and a half hours on average.

The dates of Board meetings are set in advance and recalled from one meeting to the next. The Board meets as often as the Company's interest requires and at least every four months.

In accordance with the by-laws, directors are given at least five working days' notice of meetings except when the Chairman considers that the urgency of holding a meeting requires a shorter notice period.

The staff representative is called to all Board meetings. The auditors are called to Board meetings that examine and close the accounts.

Directors may attend Board meetings either in person or by videoconference or telecommunications means, except for meetings relating to the preparation of company and consolidated financial statements and the company and group management report, for which persons attending by such means are not included in the quorum. Directors may be represented by another Board member.

As a rule, Board meetings open with approval of the minutes of the previous meeting.

---

[13] www.recylex.fr *(English version) – Shareholders / Investors – Internal Rules and Regulations*

Resolutions are then put to the directors in the order in which they appear on the agenda. The directors discuss each resolution before taking a vote.

When the discussions have ended and there is no other business, the Chairman closes the meeting and reminds the directors of the date of the next meeting.

✓ Main matters considered

During 2009, matters considered at Board meetings included:

- performance of the Group,
- budgets and planned investments by the Company and its subsidiaries,
- the company and consolidated financial statements for the year ended 31 December 2008,
- the condensed interim financial statements at 30 June 2009,
- amendment of the Board's rules of procedure,
- application of the AFEP/MEDEF corporate governance recommendations,
- proposal to the Shareholders' Meeting to approve the appointment of a director and to appoint a new chairman of the Audit Committee meeting the independence criteria of the Code and the Board's rules of procedure,
- preparation of the Shareholders' Meeting.

✓ Information provided to directors

Before each Board meeting, directors are provided with a set of documents relating to items on the agenda, containing the following in particular:

- the draft minutes of the previous Board meeting,
- draft resolutions to be put to the forthcoming Board meeting,
- documents that will enable the directors to make informed decisions,
- internal management documents that enable the directors to monitor the Company's financial situation and technical operations.

In addition, the directors are regularly informed of any event that may have an impact on the Company's commitments, financial situation and cash position. Each director receives all the information necessary for him to perform his assignment and may ask to have sight of all documents he deems useful.

The Board may if necessary call on external advisors (lawyers, consultants, etc.) at meetings.

The directors may ask for the organisation of additional training relating to the company's specific characteristics, lines of business and sectors of activity.

2.2 Specialised Committees

The purpose of the specialised committees constituted by the Board is to prepare certain decisions to be taken by the Board by giving their opinions, recommendations or proposals to the Board. The chairman of each committee reports to the Board on its work.

2.2.1 The Remuneration and Nomination Committee

- *Membership at 31 December 2009*

Richard Robinson	Chair
Mathias Pfeiffer	Member
Aristotelis Mistakidis	Member

The membership of the Committee complies with the Code, which recommends that no member of the remuneration committee should be a corporate officer.

- *Assignment and operation*

A Remuneration and Nomination Committee, previously known as the Personnel Committee, was established by a decision of the Board on 2 July 2003. At its meeting on 22 October 2007, the Board drew up terms of reference setting out the Committee's remit and operating procedures.

Its role is to examine the following matters in particular and make recommendations to the Board: (i) the policy for deciding the remuneration of the Company's corporate officers and the Chief Financial Officer, (ii) the introduction of plans to award shares or stock options, (iii) the procedure for appointing directors, (iv) the procedure for evaluating the Board, (v) plans for the succession of the Group's corporate officers and key employees.

- *Work in 2009*

The Remuneration and Nomination Committee met twice in 2009, with an attendance rate of 100%.

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

- the performance-related portion of the Chairman and CEO's remuneration for 2008,
- appointment of a new director meeting the independence criteria required by the Code and the Board's rules of procedure,
- evaluation of the Chairman and CEO's key targets,
- evaluation of the Committee's performance,
- proposal by the Chairman and CEO to distribute existing treasury stock not yet allocated by the Company.

2.2.2 The Audit Committee

- *Membership at 31 December 2009*

Jean-Pierre Thomas	Chair
Mathias Pfeiffer	Member
Richard Robinson	Member

In order to comply with the Ordinance of 8 December 2008 relating to statutory auditors, at its meeting on 26 August 2009 the Board of Directors appointed a new member to the Audit Committee, Mr. Jean-Pierre Thomas, and made him its chairman. Jean-Pierre Thomas complies with the independence criteria defined by the Code and by the Board at its meeting on 19 March 2009, now contained in the Board's rules of procedure, and has particular skills in finance and accounting.

The Audit Committee invited the Chief Financial Officer to attend each of its meetings in order to provide the Committee with information on certain matters.

- *Assignment and operation*

An Audit Committee was created in 2007. The terms of reference drawn up by the Board define the remit and operating procedures of the Committee, whose main tasks are: (i) to review and supervise financial reporting and audit procedures and provide the Board with a critical and independent assessment of them, (ii) to ensure compliance with internal control and risk management procedures.

Ordinance 2008-1278 of 8 December 2008, which transposes Directive 2006/43/EC on statutory audit into French law, strengthens the role of the audit committee which, in addition to monitoring the financial reporting process and the statutory audit of accounts, must also monitor the effectiveness of internal control and risk management systems. At its meeting on 30 November 2009, the Board of Directors authorised a project to ask outside consultants to help General Management implement a risk management and internal control monitoring tool so that the Audit Committee can assess and monitor the effectiveness of the systems in place and report on them to the Board. The project will be rolled out in 2010.

The Audit Committee meets to review the financial statements for the Company's most recent accounting period either the day before the Board meeting called to approve them or the morning of the same day. The Company therefore does not comply with point 14.2 of the Code, which recommends that the Audit Committee should review financial statements at least two days before they are reviewed by the Board.

As the relevant documents are provided to Audit Committee and Board members beforehand for detailed scrutiny, the Company considers that this arrangement gives the Audit Committee enough time (i) to review the financial statements and ensure that the accounting methods used to prepare the consolidated and company financial statements are relevant and consistent, and (ii) to verify that the internal procedures for gathering and controlling information guarantee those methods.

- *Work in 2009*

The Audit Committee met twice in 2009 with an attendance rate of 100%.

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

- review of the financial statements for 2008, the interim financial statements for 2009 and the Company's financial communication as a whole,
- review of the main legal disputes,
- review of the Company's financing,
- review of the Company's tax situation,
- review of the statutory auditors' fee schedule.

At the meetings to consider the annual and interim accounts, the statutory auditors presented their opinion on the financial statements and the Company's accounting policies.

Before each meeting, for the Committee's information the Chief Financial Officer prepares a presentation concerning off-balance sheet risks and commitments and the working methods for preparing the financial statements.

At the end of each meeting, the Audit Committee has a discussion with the statutory auditors without the financial management being present.

2.3 Evaluation of the work of the Board of Directors and the specialised committees

The Remuneration and Nomination Committee evaluated its performance during 2009. However, the Board of Directors did not evaluate its membership, organisation and operation or that of the Audit Committee. The Board plans to introduce an evaluation of its work and that of its specialised committees in 2010.

3. PRINCIPLES AND RULES FOR DETERMINING THE REMUNERATION AND BENEFITS OF CORPORATE OFFICERS

The remuneration and benefits of corporate officers are described in detail in Section 2.13.2 of the Board of Directors' management report.

The Code states that the award of shares to corporate officers should be conditional on performance. Based on the conclusions of the Remuneration and Nomination Committee, the Board of Directors considers that setting performance criteria is particularly difficult in the Company's specific sector of activity, given the absence of relevant benchmarks (most of the Company's competitors are not listed companies) and the number of parameters to be taken into consideration, with the attendant risk of defining criteria linked to parameters over which the Company has no control, like metal prices, and which consequently do not provide a relevant basis for measuring the performance of the Company or its corporate officers.

No award of shares was made to corporate offers in 2009.

3.1 Non-executive corporate officers

The Shareholders' Meeting on 28 July 2006 set the annual amount of directors' fees at €110,000 for that year and subsequent years until the Shareholders' Meeting decides otherwise.

At its meeting on 12 December 2006, the Board decided to allocate the directors' fees as follows, unless decided otherwise at a later date:

- the Chairman of the Board to receive €30,000 per year,

- the other Board members each to receive €20,000 per year.

The total amount of directors' fees paid in 2009 was €80,000, in accordance with the decision set forth above.

At the Shareholders' Meeting on 7 May 2010, the shareholders will be asked to set the annual amount of directors' fees at €150,000 for the current year and subsequent years until the Shareholders' Meeting takes a new decision. The increase in directors' fees is linked to the more important role given to the specialised committees.

Directors are paid a fixed fee. The Company does not comply with the Code on this point because the amount of directors' fees does not take account of their attendance at Board and committee meetings (point 18.1 of the Code).

The rules for allocating directors' fees and the individual amount of payments made to directors in that respect are described in Section 2.13.2 of the management report.

3.2 Executive corporate officers

The remuneration allocated to the Company's Chairman and CEO is described in detail in Section 2.13.2 of the Management Report, including the fixed portion, the variable portion and benefits in kind (company car).

3.2.1 Policy for determining and rules for allocating the variable portion

The Remuneration and Nomination Committee proposed that the Board should set the variable portion of Mr. Yves Roche's remuneration each year with regard to the achievement during the year in question of qualitative objectives determined by the Remuneration and Nomination Committee each year. The proposal was adopted by the Board at its meeting on 18 March 2008.

In 2009, the Remuneration and Nomination Committee evaluated the key targets assigned to Mr. Yves Roche and determined the variable portion of his remuneration for 2008.

The variable portion of Mr. Yves Roche's remuneration for 2009 amounts to €60,000.

3.2.2 Non-cumulation of benefits linked to an employment contract

Mr. Yves Roche's employment contract as Company Treasurer is suspended in view of his appointment as Chairman and CEO of the Company. Consequently, he does not receive any remuneration in respect of his contract of employment with the Company.

The Company does not comply on this point with the Code, which recommends that a corporate officer should not also have an employment contract. In this regard, the Board of Directors has decided to terminate Mr. Yves Roche's employment contract when a system of social security coverage has been introduced for him, bearing in mind the specific rules that apply to a company for which a continuation plan has been adopted.

3.2.3 Compensation in the event of termination

On a proposal from the Remuneration and Nomination Committee, the Board decided to award Mr. Yves Roche compensation payable if he were to relinquish his position as Chief Executive Officer following a significant change in the ownership of Recylex SA supported by the Board, provided that he had facilitated the change and the transition with the new core shareholder. The compensation would be equivalent to double the total gross remuneration he received as a corporate officer in the financial year before he stepped down and would not be paid until the Board had ensured that he had complied with the conditions of performance.

4. RESTRICTIONS PLACED BY THE BOARD OF DIRECTORS ON THE POWERS OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the Board's rules of procedure:

- any transaction concerning a preponderant share of the group's assets or activities must be referred to the Shareholders' Meeting;

- the Board may make any controls and verifications it deems appropriate;

- a prior decision of the Board is required for the following transactions:

  - undertakings with respect to sureties, endorsements or guarantees in an amount of more then €500,000 and constitution of any security interest;
  - total or partial disposal of equity interests held by the Company;
  - acquisition or disposal of assets, including buildings or land, in an amount of more than €500,000 per transaction;
  - capital expenditure by the Company or envisaged by its subsidiaries that departs from established procedures or is of particular strategic importance from a financial or technical standpoint;
  - contributions to pension or insurance schemes that do not originate with statutory requirements, a collective agreement or a workplace agreement and that affect more than half an establishment's staff;
  - borrowings, loans, credits, down-payments or subsidies in excess of €500,000 and waivers of claim, whatever their amount, concerning such transactions;
  - non-budgeted rentals or leasings for an annual amount in excess of €500,000 and/or for a term of more than three years;
  - conclusion of any contract, agreement or undertaking for an amount in excess of €500,000 or for a term of more than three years and of any research, study or service contract that exceeds usual business practice;
  - definition of the group's long- and medium-term strategy, approval of annual budgets and budget adjustments during the year;
  - decisions concerning the group's strategy and changes to the Company's organisational structures or decisions that have major consequences for one or more of the group's sectors of activity;
  - any significant transaction outside the group's announced strategy or liable to significantly affect it or to materially change the group's financial structure or results;
  - decisions to engage in new activities in the framework of the corporate purpose or to relinquish existing activities;
  - choice of the managers or directors of subsidiaries or equity interests;
  - legal proceedings taken by the Company that may have a significant impact on the group's image or results;
  - out-of-court agreements or settlements and waivers of rights of recourse where the amounts involved exceed €100,000;
  - publication of materially important information intended for the public.

5. SPECIFIC CONDITIONS RELATING TO SHAREHOLDERS' PARTICIPATION IN THE SHAREHOLDERS' MEETING

The specific conditions relating to shareholders' participation in the Shareholders' Meeting set forth at Article 25 of the Company by-laws are those provided for by the prevailing regulations.

- Shareholders' meetings comprise all shareholders whose shares are duly paid-up and whose right to take part in shareholders' meetings has been evidenced by registration of the shares in the shareholder's name or, if the shareholder is not domiciled in France, in the name of the intermediary registered on his behalf at midnight (Paris time) on the third working day before the day of the meeting.

- The shares must be registered within the time limit stipulated in the preceding paragraph either in the registered securities accounts kept by the Company or in bearer securities accounts kept by the authorised intermediary.

- Access to the shareholders' meeting is open to its members and to registered proxies and intermediaries providing proof of their status and identity. The Board of Directors may if it wishes issue shareholders with personal admission cards in their name and ask for such cards to be produced.

- Any shareholder may empower his or her spouse or another shareholder to represent him or her at a shareholders' meeting.

- Shareholders may vote by correspondence after proving their shareholder status in accordance with the first paragraph of this article. The company must receive the voting form at the latest three days before the date of the shareholders' meeting.

- Shareholders not domiciled in France may be represented by a registered intermediary under the conditions laid down by law.

As the Company is concerned to answer shareholders' requests for information, the following documents are made available to them on its website in a section especially devoted to shareholders' meetings:[14]

- notices of meeting published in BALO (*Bulletin of Compulsory Legal Notices*),
- notice of meeting sent to registered shareholders,
- presentation to shareholders made at the Shareholders' Meeting,
- result of votes and quorum following shareholders' votes at the Shareholders' Meeting.

Before any Shareholders' Meeting shareholders may, under conditions and within the required time, ask the Company for documents, a list of which is given in the Commercial Code, so that they can cast their vote in an informed manner.

Shareholders can consult the Company's annual report on its website.[15] The annual report contains the management report, this report, the company and consolidated financial statements and notes to them and the Statutory Auditors' reports.

From the same concern to provide its shareholders' with better information, the Company gives careful consideration to all written questions submitted by shareholders and answers them at the Shareholders' Meeting. Likewise, time is set aside at the Shareholders' Meeting for a question-and-answer session between the Company and the shareholders present.

6. INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

6.1 AMF reference framework

In drawing up this report, the Company has referred to the guide for implementing the internal control reference framework for small and mid caps issued by the Autorité des Marchés Financiers on 25 February 2008.

6.2 Internal control

6.2.1 Definition, objectives and scope of internal control

- Definition and objectives

The Company's internal control and risk management procedures comprise a set of resources, manners of conduct, procedures and actions adapted to the Company's characteristics and specific situation, designed to:

[14] *(www.recylex.fr* (English version) – *Shareholders / Investors – General Meetings)*
[15] *(www.recylex.fr* (English version) – *Shareholders / Investors – Annual Reports)*

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

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

More specifically, these procedures are designed to ensure, for the Company and its subsidiaries:

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

As the AMF internal control reference framework emphasises, a company's internal control system cannot provide an absolute guarantee that its objectives will be achieved. Any internal control system has inherent limitations that may result from many internal and external factors.

- Scope

Within the Recylex group, the parent company Recylex SA ensures that internal control systems are in place in its subsidiaries.

6.2.2 Components of the internal control system

- *Organisation of internal control*

Since the reorganisation carried out in recent years, the organisational principles of the Company and its subsidiaries have been based on extensive decentralisation of responsibility both for the control of operations, especially those involved in the preparation of accounting and financial information, and risk management, under close supervision by the Company's senior management. This organisation enables Group companies to respond more quickly to the different constraints associated with their businesses.

Control procedures are also implemented through a number of support functions provided by Group companies.

- The Company supports legal affairs, communication, management control and the consolidation of accounting and financial information.
- Recylex Commercial SAS supports commercial negotiations.
- Recylex GmbH in Germany provides legal and financial support (local cash pooling and the control of accounting and financial information) for German companies.

- *Internal circulation of information*

Central support functions mean that management guidelines and objectives can be communicated in standardised form. All support services are governed by service agreements negotiated between Group companies.

- *Control activities*

The group's internal control procedures are based on the following principles.

- An organisation by business area consistent with development priorities and strategic guidelines. This matrix structure determines the scope, respective powers and delegations of powers of groupwide divisions and divisions specifically responsible for strategic activities.

- A three-stage budget control system:

    1. preparation of an annual budget for each strategic activity, initially decentralised to the group's plants then centralised at headquarters;
    2. preparation of a 12-month revolving forecast, updated monthly;
    3. performance tracking by means of monthly reporting to the Board, enabling the Board to monitor the performance of each activity and ensure that it is consistent with objectives.

- Monitoring and control of the activity and performance of operating units.

The following members of the Group's management team monitor the activity and performance of the Group's divisions:

1. the management controller at head office, who tracks subsidiaries' activity in detail using the budget, actual figures and regularly updated projections. The monthly reporting schedules prepared by each operating unit using specific software (the Magnitude package) are reviewed by the management controller at head office and specific investigations of the subsidiary are carried out if necessary;
2. the Chairman and CEO, the group Chief Financial Officer and heads of subsidiaries and operating units, who meet monthly to analyse each unit's monthly performance, projections and their regular updates (Business Review).

- The main operating subsidiaries have a common accounting and financial management system running the SAP software package.

- *Permanent oversight of the internal control system*

The Audit Committee oversees the internal control system.

6.2.3 Players in the internal control system

Control of the operations of the Company's subsidiaries is strengthened by Company representation on subsidiaries' boards of directors. As a result, certain risks associated with the Group's business are known and clearly identified.

6.3 Internal control of financial and accounting information

In this section, the term "Group" means the Company and its consolidated subsidiaries within the meaning of Article L. 233-16 of the French Commercial Code.

To ensure reliability and accuracy, an integrated software application is used to manage accounting and financial information for all Group companies with the exception of FMM. The application is also useful for comparing and integrating costs between subsidiaries. In terms of information flows, it ensures the use of common accounting formats and the uniform accounting treatment of transactions.

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

Each Group company accomplishes accounting tasks within this uniform information system, either using its own accounting staff or, in some cases, sharing the services of an independent accountant. The 2009 financial statements of individual companies in the Group were prepared by their respective accounting and finance managers under the supervision of the group's Chief Financial Officer.

Each Group company produces monthly financial and technical reports, submitted to the Company's senior management. The mangers of each Group company are responsible for the reliability of their accounting and financial data. The data are consolidated by the group Management Controller, who ensures the consistency of the data and can request any further information or clarification he deems necessary from the Group subsidiaries or establishments concerned. This reporting process thus allows the Company's senior management to track the Group's activity and the achievement of assigned objectives on a monthly basis.

Monthly meetings are held between the Company's senior executives and the managers of subsidiaries to review operational, commercial, financial, environmental and health and safety developments in each branch of activity. The meetings provide an opportunity for framing action plans and monitoring their implementation.

The process for closing the consolidated financial statements is identical to that of the monthly reporting process, since it is decentralised under the responsibility of each Group company. This task has been outsourced since 2006, though sectoral analysis continues to be performed in-house at the Company's headquarters.

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

The group Finance Department is responsible for overseeing all these steps and the system for preparing financial and accounting information.

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

6.4 Risk assessment and management

The streamlining of the Company's structure in recent years has entailed a reorganisation of its internal control and risk management systems.

On the basis of the risk map drawn up by an outside consultancy in 2008 and the Audit Committee's recommendations, the Company has begun to implement a centralised system to collate monthly financial information and cash management instruments.

In 2009, the Company also implemented recommendations issued following the health, safety and environment (HSE) audit of all the Group's industrial facilities carried out by an outside consultancy with the aim of analysing the environmental and health risks specific to the Group's business.

The main risks and uncertainties to which the Group is exposed and the procedures for managing them are described below on the basis inter alia of the information gathered in the course of the above-mentioned evaluations.

6.4.1 Financial risks

In this section, the term "Group" means the Company and its consolidated subsidiaries within the meaning of Article L. 233-16 of the French Commercial Code.

Specialising in zinc, lead and plastic recycling and special metals, the Group is exposed to currency and interest-rate risk and the risk of fluctuations in commodity prices. It is also exposed to other risks, like counterparty and liquidity risk.

The Group has framed a policy and introduced a handbook of procedures designed to measure, manage and control exposure to market risks. The policy prohibits taking speculative positions on the market and involves using derivatives to cover some of the Group's exposure to currency and commodity risk. The procedures are put in place in Group companies when risks are identified.

Financial instruments are taken out on the over-the-counter market with a highly rated counterparty. The Group primarily uses futures and options. Derivatives cover existing or expected financial and commercial exposure. Positions in financial instruments are tracked on a fair-value basis.

Currency and commodity risk is managed locally by the Group companies concerned under the oversight of the Group's Finance Department.

- **Commodity risk**

The Group is exposed to the risk of fluctuations in metal prices, especially for lead and zinc. The two metals are quoted in US dollars on the London Metal Exchange. The Group has no influence over the price of these metals and is therefore affected by fluctuations.

Exposure results 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 materials to be processed. For that reason hedges are taken out for any lag between purchase and sale and for commercial stocks.

The Group is also sensitive to fluctuations in lead and zinc prices and may use hedging instruments to secure part of its margins.

Hedges for lead and zinc have been done in 2009.

- **Currency risk**

The Group is exposed to currency risk arising from transactions between its subsidiaries in currencies other than their operating currency. Some procurement contracts in particular are denominated in dollars. The Group's policy is not to hedge this currency risk.

At 31 December 2009, the Group did not have any dollar-denominated commodity derivatives to hedge euro-denominated sales. All commodity derivatives are taken out in euros.

- **Interest-rate risk**

Most of the Group's long-term debt is housed with Recylex SA, the holding company, Recylex GmbH, Weser Metall GmbH and RMO. Given the Group's situation, its debt chiefly comprises rescheduled liabilities under Recylex SA's continuation plan and four loans contracted by Recylex GmbH, Weser Metall GmbH, C2P GmbH and RMO. The loans contracted by Recylex GmbH and C2P GmbH are at fixed rates, those contracted by Weser Metall GmbH and RMO are at floating rates.

The debt resulting from the continuation plan does not bear interest. The Group uses interest-rate derivatives to cover the interest-rate risk on the two floating-rate loans.

- **Counterparty risk**

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

- *Credit risk linked to trade receivables*

On the basis of available information, the Group does not expect any third-party failure liable to have a material impact on its financial statements. However, in view of the current economic and financial environment, which remains particularly difficult and uncertain, the failure of Group customers cannot be entirely ruled out.

In the lead segment, the Group maintains commercial relations with a limited number of customers proven to be financially sound, to which the payment terms granted are very short. However, for the reasons given above relating to the current exceptional economic and financial situation, the Group cannot entirely rule out the risk arising from the potential failure of its customers.

In the lead and zinc segments, the Group can hedge some of its accounts receivable by selling receivables to a factoring company under non-recourse factoring contracts. At 31 December 2009, the Group had sold €8.7 million of receivables to a factoring company.

- *Credit risk linked to cash and cash equivalents and derivatives*

Currency and commodity hedges and cash investments are made with prime financial institutions. However, in view of the current financial context in the banking sector, which remains difficult and uncertain, the failure of financial institutions cannot be entirely ruled out.

- **Liquidity risk**

Recylex SA's debt was rescheduled after the Paris Commercial Court accepted the continuation plan on 24 November 2005 *(further information about the liabilities rescheduled under the continuation plan may be found in Note 18 in the Notes to the consolidated financial statements).*

The Company has made the first four repayments to its creditors under the continuation plan, amounting to €11.4 million in 2006, €11 million in 2007, €2.3 million in 2008 and €2.3 million in 2009, giving a total of €27 million.

Following the judgment of Douai Appeal Court of 18 December 2009 *(for further information about ongoing litigation, see Section 6.4.4 of this report and Note 1 of the Notes to the consolidated financial statements)*, the amount of damages awarded to the former employees of Metaleurop Nord SAS, totalling €12.4 million, was incorporated into the continuation plan. Total debt under the plan after incorporating damages amounted to €34.8 million at 31 December 2009. The instalment to be paid in November 2010 amounts to €4.3 million. The outstanding instalments to be paid off under the continuation plan between 2011 and 2015 amount to between €3.4 million and €5.5 million a year.

Recylex SA has drawn up a cash flow forecast for 2010 on the basis of available information, in particular outlays relating to outstanding instalments due to creditors in 2010. The Group's subsidiaries have also prepared cash flow projections (by cash pool) for 2010. The forecasts have been prepared on the basis of lower metal prices than at 31 December 2009.

These forecasts show a reduction in cash flow though no short-term financing requirement. This is due amongst other things to the Group's substantial cash position at 31 December 2009. Available cash amounted to €53.5 million at 31 December 2009. However, in view of the volatility of metal prices, the difficulty of making any reliable projection and the uncertain economic outlook, it is extremely difficult to give any medium-term forecast.

It is important to note that the €50 million claimed by the liquidators of Metaleurop Nord SAS for repayment of the liabilities of Metaleurop Nord SAS *(for further information about ongoing litigation, see Section 6.4.4 of this report and Note 1 of the Notes to the consolidated financial statements)* is not included in the continuation plan for Recylex SA or in the Group's cash flow forecasts. If the final judgment of these claims results in an unfavorable outcome for Recylex SA, the available cash would no longer be compatible with the instalments to repay creditors under the continuation plan, the commitment to clean up former mining sites and the commitment to clean up the former l'Estaque site *(see Note 38 of the Notes to the consolidated financial statements, which gives environmental information at Group level).*

6.4.2 Risks associated with the preparation of accounting and financial information

To ensure reliability and accuracy, an integrated software application is used to manage accounting and financial information for all Group companies with the exception of FMM SA. The application is also useful for comparing and integrating costs between subsidiaries. In terms of information flows, it ensures the use of common accounting formats and the uniform accounting treatment of transactions.

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

Each Group company accomplishes accounting tasks within this uniform information system, either using its own accounting staff or, in some cases, sharing the services of an independent accountant. The parent company financial statements for 2008 were prepared by the Company's accounting and finance manager under the supervision of the group's Chief Financial Officer.

Each Group company produces monthly financial and technical reports, submitted to the Company's senior management. The mangers of each Group company are responsible for the reliability of their accounting and financial data. The data are consolidated by the group's Management Controller, who ensures the consistency of the data and can request any further information or clarification he deems necessary from the Group subsidiaries or establishments concerned. This reporting process thus allows the Company's senior management to track the Group's activity and the achievement of assigned objectives on a monthly basis.

Monthly meetings are held between the Company's senior executives and the managers of subsidiaries to review operational, commercial, financial, environmental and health and safety developments in each branch of activity. The meetings provide an opportunity for framing action plans and monitoring their implementation.

As the Group has limited management control and internal control resources it has outsourced some of the tasks involved in preparing financial information, such as consolidation and internal audit.

The process for preparing the consolidated financial statements is identical to that for the monthly reporting process, since it is decentralised under the responsibility of each Group company. This task has been outsourced since 2006, though sectoral analysis continues to be performed in-house at the Company's headquarters.

Once the financial statements have been prepared they are reviewed by the Audit Committee. The Board of Directors subsequently approves the parent company and consolidated financial statements, which are then put to the Shareholders' Meeting.

The Group's Finance Department is responsible for overseeing all these steps and the system for preparing financial and accounting information.

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

6.4.3 Environmental and health and safety risks

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

All Group sites whose recycling activities are liable to have an impact on the environment require prefectoral authorisation, compliance with which is an absolute priority. The Group is also responsible for cleaning up a number of industrial and mining sites with their origins in the history of the two companies which founded the Group in 1988 (the Germany company Preussag AG, now TUI AG, and the French company Peñarroya), most of which were never operated by the Group. As far as Recylex SA is concerned, the Company's Chairman and CEO has been directly responsible for overseeing the clean-up of former mining and industrial sites in France since December 2003, monitored by an environmental expert specialising in the field.

Detailed information about the environmental risks to which the Company and the Group are exposed and about the measures taken to address them is provided in Sections 1.9 and 2.15 of the management report to which this report is attached.

6.4.4 Legal risks

The proceedings brought against Recylex SA by former employees of Metaleurop Nord SAS in 2005 and by the liquidators of Metaleurop Nord SAS in 2006 are ongoing.

- Former employees of Metaleurop Nord SAS

(ii) On 27 June 2008, the Industry section of the Lens labour tribunal found that the Company was co-employer of 493 former non-managerial staff of Metaleurop Nord SAS and awarded each plaintiff damages of €30,000 plus €300 in costs. The tribunal decided that these amounts, totalling approximately €14.9 million, should be incorporated into the liabilities paid off by Recylex SA in instalments under the continuation plan approved by Paris Commercial Court on 24 November 2005. Recylex SA appealed these decisions.

On 18 December 2009, Douai Appeal Court partly upheld the labour tribunal's decision and issued:

- 460 orders awarding damages to unprotected former employees and ordering the sums, totalling €12,421,000, to be included in the liabilities of Recylex SA. In accordance with the continuation plan 24% of the compensation amount, corresponding to the first four instalments of the plan (2006 to 2009), was paid on 19 February 2010 and the remainder will be paid off instalments in accordance with the terms of the continuation plan described in detail in Section 2.2.2 of the management report to which this report is attached;
- 11 orders of referral to its hearing on 19 March 2010 concerning unprotected former employees on various grounds (death of the claimant, failure to produce evidence, termination of the employee before the court-supervised liquidation of Metaleurop Nord SAS);
- 22 orders dismissing petitions against Recylex SA lodged by protected former employees (employee representatives, members of the works council, union representatives).

On 9 February 2010, the Company decided to appeal to the Court of Cassation.

(ii) On 30 September 2008, the Management section of the Lens labour tribunal was unable to reach a decision on the claim from 91 former managerial staff of Metaleurop Nord SAS for damages of €30,000 plus €300 in costs, representing a total of €2.8 million.

On 15 and 30 September 2009, the Management section of the Lens labour tribunal issued its decisions, ruling in particular that Recylex SA was co-employer of 90 former managerial staff of Metaleurop Nord SAS. The Management section of the Lens labour tribunal awarded each petitioner an identical sum of €30,000 in damages and €300 in costs and ordered that the amounts should be included in the liabilities of Recylex SA, payable in instalments. Recylex SA has appealed these decisions, thus suspending execution.

A provision for the total amount of damages claimed by all former managerial staff of Metaleurop Nord SAS, representing approximately €2.7 million, has been constituted in Recylex SA's accounts.

- Liquidators of Metaleurop Nord SAS

The liquidators of Metaleurop Nord SAS brought proceedings against the company for repayment of the liabilities of Metaleurop Nord SAS amounting to €50 million. Béthune Regional Court dismissed the claim on 27 February 2007, finding that the Company was not the de facto manager of Metaleurop Nord SAS. The liquidators appealed the judgment. The Douai Appeal Court issued a stay of proceedings on 18 November 2008 and invited the parties to bring the matter before the Conseil d'Etat for the following reasons.

Recylex SA had argued that the action for repayment of liabilities brought by the liquidators of Metaleurop Nord SAS was inadmissible on the grounds that the liquidators had failed to state their claim in accordance with the law in the context of the court-supervised procedure to rehabilitate the Company begun on 13 November 2003. The liquidators had asserted the existence of a provision in the regulations dispensing them from doing so. Pursuant to the judgment of Douai Appeal Court, on 12 February 2009 the Company applied to the Conseil d'Etat for a preliminary ruling on legality. The preliminary ruling from the Conseil d'Etat is awaited before the Douai Appeal Court can rule on either the admissibility or the merits of the case.

No provision has been made in the consolidated accounts or the accounts of Recylex SA against the claim by the liquidators of Metaleurop Nord SAS, given the ruling in favour of Recylex SA by Béthune Regional Court, finding that Recylex SA was not the de facto manager of Metaleurop Nord SAS.

It should be noted that the sums claimed in the action for repayment of the liabilities of Metaleurop Nord SAS (€50 million) and the damages claimed by the former managerial staff of Metaleurop Nord SAS were not included in the continuation plan approved by the Paris Commercial Court on 24 November 2005 and that if the final outcome of the claims is unfavourable to Recylex SA, implementation of the continuation plan could be jeopardised.

The principal legal risks are monitored in France by the Company's senior management and in Germany by the management of Recylex GmbH, in conjunction with the Company's advisors and those of its subsidiaries. Given the small number of headquarters staff, management relies heavily on outside advisors to ensure compliance with the regulatory requirements applicable to the Company's operations and the protection and defence of the Group's interests.

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

6.4.5 Operating risks

Group entities operating lead smelters and other production sites are exposed to the risk of production stoppages due to incidents like power cuts or shortages of essential materials. Each Group subsidiary has taken measures to forestall such risks, such as preventive maintenance, the constitution of stocks of essential items and other operating procedures.

The Group also has a limited number of raw materials suppliers, which could represent a risk of failure or loss of supply. The use of replacement sources of supply can be envisaged, albeit with a potential impact on processing costs. In view of the current particularly difficult and uncertain economic context, a failure of the Group's suppliers cannot be entirely ruled out.

The Recylex group's business is concentrated on recycling lead, zinc and plastics. It is organised around the local processing of materials, thus limiting the risk associated with transport of materials. These elements are typical of the approach taken by the Recylex group, which is in regular communication with local and national authorities.

At present, the Group's main clients are located in Europe. However, in the event of a decline in European demand, the Recylex group has the capacity to serve a non-European client base by developing export activities.

6.4.6 Insurance covering certain possible risks

As part of the Group's risk management procedures, the Company and its subsidiaries have taken out insurance cover against accidental risks.

Damage, operating loss and liability insurance has been taken out with prime insurers by the Company for French subsidiaries, by Recylex GmbH for German subsidiaries and by FMM for the Belgian subsidiary.

While the Company considers that the insurance taken out at Group level is sufficient to provide satisfactory cover for risks incurred in connection with its activities, it could prove insufficient to offset certain losses resulting from exceptional damage or exceptional economic and financial circumstances, which would have a negative impact on its financial situation.

CONCLUSION

While taking account of changes in the Group's operating environment, senior management wishes to continue to develop the Group's internal control and risk management systems. The process for assessing and improving internal control and risk management procedures initiated by senior management in 2008 and 2009 will be continued in the context of ongoing changes in the legal and regulatory framework.

Thus, in order to comply with Ordinance 2008-1278 of 8 December 2008, management has asked a consultancy to help organise risk management and internal control in the Group and monitor the effectiveness of the risk management and internal control systems.

The recruitment of an additional financial controller at headquarters is planned in 2010 with the aim of stepping up the financial control of subsidiaries and improving the internal control system.

A regular diagnosis of the quality and effectiveness of existing control processes will be conducted, by raising awareness among all Group staff and giving them greater responsibility for internal control and risk management issues.

Yves Roche
Chairman and Chief Executive Officer

STATUTORY AUDITORS' REPORT ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

Year ended 31 December 2009

This is a free translation into English of the statutory Auditors' report, prepared in accordance with Article L.225-235 of the French Commercial Law ("Code de Commerce") on the report prepared by the Chairman of the Board of Directors on the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information issued in French and is provided solely for the convenience of English speaking users.

This report should be read in conjunction, and is construed in accordance with, French law and the relevant professional standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of RECYLEX and in accordance with Article L.225-235 of the 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 the French Commercial Law ("Code de Commerce") for the year ended 31 December 2009.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the company and containing the other disclosures required by Article L.225-37 of the French Commercial Law ("Code de Commerce"), particularly in terms of corporate governance.

It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information, and
- to attest that this report contains the other disclosures required by Article L.225-37 of the French Commercial Law ("Code de commerce"), it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional 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 and risk management 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 and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and the 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 and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Board in accordance with Article L.225-37 of the French Commercial Law ("Code de Commerce").

Other disclosures

We hereby attest that the Chairman's report of the Board of Directors includes the other disclosures required by Article L.225-37 of the French Commercial Law ("Code de commerce").

Paris La Défense and Neuilly-sur-Seine, March 19, 2010

The Statutory Auditors

KPMG Audit *Division of KPMG S.A.*	Deloitte & Associés
Catherine PORTA *Partner*	Frédéric NEIGE *Partner*

ANNUAL INFORMATION DOCUMENT

(List of all the information published or made public over the previous twelve months Article L. 451-1-1 of the French Monetary and Financial Code and Article 222-7 of the General Regulations of the Autorité des Marchés Financiers)

1. Information published on the company's website

(French version available on www.recylex.fr)

Date	Document	Rubrique
12/02/10	Information financière trimestrielle (quatrième trimestre 2009)	Information réglementée
9/02/10	Recylex se pourvoit en cassation suite aux décisions de la Cour d'appel de Douai	Communiqué de presse
5/02/09	Nombre total d'actions et de droits de vote	Information réglementée [1]
20/01/10	Recylex annonce la mise en exploitation du site de traitement de batteries usagées de la société Eco-Recyclage en Algérie	Communiqué de presse
31/12/09	Nombre total d'actions et de droits de vote	Information réglementée
18/12/09	Recylex prend acte des décisions de la Cour d'appel de Douai concernant les anciens salariés non cadres de Metaleurop Nord	Communiqué de presse
17/12/09	Suspension de cours de l'action Recylex le 18 décembre 2009	Communiqué de presse
7/12/09	Nombre total d'actions et de droits de vote	Information réglementée
10/11/09	Information financière trimestrielle (troisième trimestre 2009)	Information réglementée
9/11/09	Nombre total d'actions et de droits de vote	Information réglementée
15/09/09	Recylex prend acte de la décision du Conseil de Prud'homme de Lens (section Encadrement)	Communiqué de presse
10/09/09	Nombre total d'actions et de droits de vote	Information réglementée
28/08/09	Recylex : résultats semestriels 2009	Communiqué de presse
28/08/09	Rapport financier semestriel 2009	Information réglementée
7/08/09	Nombre total d'actions et de droits de vote	Information réglementée
31/07/09	Chiffre d'affaires (deuxième trimestre 2009)	Communiqué de presse
29/07/09	Assemblée générale du 12 mai 2009 – Résultat des votes et quorum	Assemblée générale
10/07/09	Nombre total d'actions et de droits de vote	Information réglementée
26/06/09	Recylex prend acte du report de l'audience de plaidoiries devant la Cour d'appel de Douai	Communiqué de presse
20/05/09	Reprise de la production d'oxydes Waëlz sur le site de	Communiqué de presse

	Goslar de Harz-Metall GmbH (Allemagne)	
19/05/09	Nombre total d'actions et de droits de vote	Information réglementée
14/05/09	Assemblée générale du 12 mai 2009 – Présentation	Assemblée générale
7/05/09	Information financière trimestrielle (premier trimestre 2009)	Information réglementée
29/04/09	Règlement intérieur du Conseil d'administration	Règlement intérieur
27/04/09	Assemblée générale du 12 mai 2009 – Avis de convocation (actionnaires nominatifs)	Assemblée générale
27/04/09	Publication BALO – Avis de convocation assemblée générale du 12 mai 2009	Assemblée générale
9/04/09	Nombre total d'actions et de droits de vote	Information réglementée
6/04/09	Publication BALO – Avis de réunion assemblée générale du 12 mai 2009	Assemblée générale
23/03/09	Résultats 2008 : un cash flow opérationnel positif à fin 2008 malgré la forte chute des cours des métaux	Communiqué de presse

[1] *Information filed with the Autorité des Marchés Financiers (AMF) and transmitted electronically by a primary information provider registered on the list published by the AMF*

2. <u>Information published in the Tribune and the Journal Spécial des Sociétés françaises par Actions (French)</u>

Date de parution	Document	Support
31/08/09	Résultats semestriels 2009	La Tribune
27/04/09	Avis de convocation à l'Assemblée Générale du 12 mai 2009	La Tribune
25/04/09	Avis de convocation à l'Assemblée Générale du 12 mai 2009	Journal Spécial des Sociétés
25/03/09	Résultats annuels 2008	La Tribune

3. <u>Information published in the Bulletin des Annonces Légales Obligatoires (BALO)</u>

(available in French on www.journal-officiel.gouv.fr/balo/)

Date parution	N° d'affaire	Catégorie
19/06/09 (Parution n° 73)	0904808	Publications périodiques (comptes annuels)
27/04/09 (Parution n° 50)	0902315	Avis de convocation à l'Assemblée Générale du 12 mai 2009
06/04/09 (Parution n° 41)	0901721	Avis de réunion à l'Assemblée Générale du 12 mai 2009

4. <u>Information filed with the Greffe du Tribunal de Commerce de Paris</u>

(available in French on www.infogreffe.com)

Date	Document	Objet
19/03/09	Extrait du procès-verbal	Augmentation de capital – Dépôt n° 45400 du 4/06/09
19/03/09	Statuts à jour	Dépôt n° 45400 du 4/06/09

5. Statement of thresholds crossings

*(available on **www.amf-France.org**)*

Date	Décision et information	
9/06/09	209C0818	Amiral Gestion SA

This 2009 Annual Financial Report is a non-official translation into English of the *Rapport Financier Annuel 2009.* Issued in French language and is provided solely for the convenience of English-speaking users. This report should be read in conjunction with, and construed in accordance with, French law.