

# **RECYLEX S.A.**

Société Anonyme

6, Place de la Madeleine  
75008 PARIS

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## **Statutory auditors' special report on regulated agreements and commitments**

Shareholders' Meeting to approve the financial statements  
for the year ended 31 December 2017

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*This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments with third parties that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code (Code de Commerce) and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.*

To the Shareholders' meeting of Recylex S.A,

In our capacity as Statutory Auditors of your Company, we hereby report to you on regulated agreements and commitments.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions as well as the reasons underlying the interest for the company of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements, if any. It is your

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responsibility, pursuant to Article R. 225-31 of the French Commercial Code (*Code de Commerce*), to assess the interest involved in respect of the conclusion of these agreements for the purpose of approving them.

Our role is also to provide you with the information provided for in Article R. 225-31 of the French Commercial Code in respect of the performance of the agreements and commitments, already authorised by the Shareholders' Meeting and having continuing effect during the year, if any.

We conducted our procedures in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement. These guidelines require that we agree the information provided to us with the relevant source documents.

#### **AGREEMENTS AND COMMITMENTS SUBMITTED TO THE APPROVAL OF THE SHAREHOLDERS' MEETING**

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##### **1. Agreements and commitments not authorized previously but authorized after their conclusions and motivated**

Pursuant to articles L.225-42 and L.823-12 of the French Commercial Code, we bring to your attention the following agreements and commitments that were not previously authorized by the Board of Directors:

It is our responsibility to report to you the reasons for which the authorization procedure was not followed.

##### **With the company Glencore International AG:**

- **Line of credit made available by Glencore International AG**  
*Directors concerned: Mrs. Laetitia Seta and Mr. Christopher Eskdale*

Glencore International AG provided your Company with a credit line available from 29 April 2003 to 29 August 2003 and capped at €12,000,000, bearing interest at one-month Euribor + 1%.

The remaining balance of ordinary and privileged debts included in the continuation plan of your Company amounts to €4,900,507.

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Upon request of your Company, this agreement has been modified during the year 2017 to postpone the repayment of this debt, initially planned on 24 November 2019, to the year 2026.

- **Loan Agreement between Recylex S.A. and Glencore International AG**  
*Directors concerned: Mrs. Laetitia Seta and Mr. Christopher Eskdale*

On 1<sup>st</sup> October 2014, your Company signed a loan agreement with Glencore International AG with the following main terms and conditions:

- Loan facility in the maximum amount of €16 million
- Purpose: reimbursement of debts within the scope of the continuation plan of Recylex S.A.
- Interest: 7% per annum + Libor, paid every half-year
- Repayment in whole in one instalment on 30 June 2009 or at any time in advance by your Company or in case of events that make or is likely to make in a significant manner the financial situation of your Company worse.

Under the terms of this loan agreement, your Company has drawn down a total amount of 16 000 thousands of euros. Interests were recorded as expenses for an amount of 661 thousands of euros over the year 2017.

Upon request of your Company, this agreement has been modified during the year 2017 to postpone the repayment of this loan facility to 30 June 2024.

- **Pledge of the Recylex GmbH shares held by Recylex S.A to the benefit of Glencore International AG**

To secure the repayment of a line of credit granted by Glencore International AG, your Company granted to Glencore International AG the first ranking pledge of all the Recylex GmbH shares held by Recylex S.A.

This agreement was authorised by the 20 September 2002 meeting of your Board of Directors.

The credit line was fully repaid. However, the pledge is maintained, as the interest and costs, included in the continuation plan of your Company, have not been fully paid in the amount of €149,571.

Upon request of your Company, this agreement has been modified during the year 2017 to postpone the repayment of this debt, initially planned on 24 November 2019, to the year 2026.

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The modifications of the agreements here above have not been previously authorized by the Board of Directors given the time needed to complete the payment plan for the fine payable to the European Commission.

We highlight that, at its meeting of May 24, 2017, your Board of Directors has decided to authorize afterwards the modifications of these agreements. It has indeed considered that the modifications were in the interest of your Company, the debt maturity extensions being a prerequisite for the acceptance of the payment plan for the fine payable to the European Commission.

## **AGREEMENTS AND COMMITMENTS PREVIOUSLY APPROVED BY THE SHAREHOLDERS' MEETING**

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### **2. Agreements and commitments authorized in previous years and having continuing effect during the year**

Pursuant to Article R.225-30 of the French Commercial Code, we have been advised that the following agreements and commitments, authorised in previous years by the Shareholders' Meeting, have had continuing effect during the year.

#### **2.1. With the company Glencore International AG:**

- **Second ranking pledge of the Recytech S.A. shares held by Recylex S.A.**

On 19 December 2016, your Company has signed a pledge agreement with Glencore International AG whereby your Company agrees to grant a pledge to the benefit of Glencore International AG of all the shares held by your Company in Recytech S.A. (owned as to 50%), as well as a cash proceeds special account which will be credited by future dividends received by your Company from Recytech S.A. Your company is free to use this cash proceeds special account except in the event of a default from the German subsidiaries or from your Company to respect their respective obligations in relation with the loan agreement and the debt waiver with a return-to-profit clause.

This pledge agreement is part of the signature, on 5 December 2016, a loan agreement between the Group's German subsidiaries and a syndicate of banks, from which the satisfaction of conditions precedent have led Glencore International AG to:

- Suspend, for the entire duration of the trusteeship, the first-ranking pledge of the Recylex GmbH shares in its favor that guarantees the Company's performance of its obligations pursuant to the clawback clause provided for in the Company's continuation plan.

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- Give undertakings to the German subsidiaries (Recylex GmbH, Harz-Metall GmbH, Weser-Metall GmbH, Norzinco GmbH, C2P-Germany GmbH, PPM Pure Metals GmbH and Recylex Grundstücksverwaltungs GmbH), including that it would cover any overrun in the budget for Weser-Metall GmbH's new reduction furnace (of up to €10 million) and any specific cash requirements of these German subsidiaries (up to a maximum amount of €25 million).

- **Pledge of financial securities account agreement between Recylex S.A. and Glencore International AG**

On 1<sup>st</sup> October 2014, to ensure the reimbursement of the loan above, your Company has signed a pledge agreement with Glencore International AG whereby your Company agrees to grant a pledge to the benefit of Glencore International AG of all the shares held by your Company in Recytech S.A. (owned as to 50%), as well as a cash proceeds special account which will be credited by future dividends received by your Company from Recytech S.A. Your company is free to use this cash proceeds special account except in case of events that make or is likely to make in a significant manner the financial situation of your Company worse, as detailed in the above loan agreement.

- **Technical cooperation agreement between Recylex S.A. and Glencore International AG**

On 1<sup>st</sup> October 2014, your Company has signed a technical cooperation agreement with its subsidiary Weser-Metall GmbH and Glencore International AG whereby Weser-Metall GmbH and Glencore International AG agree to exchange technical information with the objective to increase the long-term cost efficiency of Weser-Metall smelting plant to insure the long-term economic viability of Recylex group and, hence, enable your Company to repay the loan granted by Glencore International AG to your Company.

- **Debt waiver with a claw-back clause to the benefit of Glencore International AG**

As part of the continuation plan of your Company, approved by the Board of Directors on 5 September 2005, Glencore International AG has waived its receivable for an amount of €17,812,955 with a return-to-profit clause. Within the scope of this claw-back clause, the Company irrevocably undertook, as from and including December 31, 2015, to allocate 20% of its available cash (i.e. cash and short-term securities), as at December 31 of each financial year, to the repayment on a *pari passu* basis between the creditors having benefit of the claw-back clause of the outstanding part of their claims, with no limit of time

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Under this debt waiver with a claw-back clause, your Company has allocated as a liability an amount of 96 149 euros as of December 31, 2017.

- **Second ranking pledge of the Recylex GmbH shares held by Recylex S.A.**

To secure the repayment of a debt, which was initially owed by the Company towards its historical banks, which was assigned in July 2005 to Glencore International AG, in accordance with the notification to the Company made as of September 1, 2005, Glencore International AG benefits from a second-ranking pledge on all the shares held by the Company in Recylex GmbH's share capital.

The aforementioned debt was partially waived with a claw-back clause up to the amount of €17,812,955 under the Continuation Plan approved by your Board of Directors on 5 September 2005.

As part of the signature of the loan agreement between the Group's German subsidiaries and a syndicate of banks on 5 December 2016, Glencore International AG has suspended, for the entire duration of the trusteeship, the first-ranking pledge of the Recylex GmbH shares in its favor that guarantees the Company's performance of its obligations pursuant to the clawback clause provided for in the Company's continuation plan.

## 2.2. With M. Yves Roche

- **Set-up of a savings plan for the "PERCO" Group pension and a mandatory group defined contribution pension agreement under the regime provided for in Article 83 of the French General Tax Code for the benefit of Mr. Yves Roche**

During its meeting of 30 August 2011, your Company's Board of Directors decided to authorise the set-up of a savings plan for the "PERCO" Group pension for Company employees and a mandatory group defined contribution pension agreement under the regime provided for in Article 83 of the French General Tax Code ("Article 83").

In connection with the set-up of the two supplementary pension plans for Company employees presented below, the Company sought to authorise Mr. Yves Roche to also benefit from such plans, under the conditions and subject to the limitations provided for under French law, and under the same conditions as other Company employees.

- The purpose of the PERCO plan is to enable beneficiaries who are eligible for employee savings vehicles, pursuant to prevailing regulations, to collectively contribute, with the Company's assistance, to the gradual creation of a portfolio of marketable securities and take advantage of the related tax benefits.

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- The regime under Article 83 seeks to guarantee the funding for the payment of a supplementary pension exclusively in the form of a life annuity under a mandatory Group plan contracted by the Company with Generali. Accordingly, the Company is required, as from 1 April 2012, to fund this regime for up to 2% of Tranche A (percentage of compensation limited to the French Social Security ceiling), of Tranche B (percentage of compensation exceeding the French Social Security ceiling without exceeding the AGIRC ceiling) and of Tranche C (percentage of compensation exceeding the French Social Security ceiling without exceeding twice the ceiling amount).

During its meeting of 21 March 2012, your Company's Board of Directors decided to approve the application of the two aforementioned supplementary pension plans "PERCO" and "Article 83" to the benefit of Mr. Yves Roche, in the conditions and subject to the limits provided for by Law.

Mr. Yves Roche did not benefit from the PERCO plan in 2016 and he received €8,316.97 under the Article 83 plan in 2017.

### 2.3. With the company C2P S.A.S

- **Tax grouping agreement**

On 17 March 2008, your Company signed a tax grouping agreement effective as from 1 January 2008 with its subsidiaries, C2P S.A.S. and Recylex Commercial S.A.S., the latter having been merged into your Company over the year 2017, with a view to finalising the tax expense distribution within the tax grouping of which your Company is the parent.

### 3. Agreements and commitments authorized in previous years without effect during the year

Furthermore, we have been notified of the continuation of the following agreements and commitments, which were approved by the Shareholders' Meeting in prior years, that have not had effects during the year.

- **With the company Recytech S.A.**

**Commitment to contribute to transportation costs and steel mill dust recycling costs on the industrial site of Recytech S.A. (owned as to 50%) in case of closure or cessation of Recytech S.A.**

Decree n°2012-633 published on 3<sup>rd</sup> May 2012 includes the obligation for certain installations treating wastes and classified for the protection of the environment, to set

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up financial guarantees to ensure the clean-up and rehabilitation of the site in case of closure. In this context, your Company committed to contribute to the transportation costs and to the steel mill dust recycling costs on the industrial site of Recytech S.A. in case of closure or cessation of Recytech S.A.

#### **4. Agreements and commitments approved during the year**

Furthermore, the following agreements and commitments that apply during the year and already approved by the Shareholders' meeting of July 11, 2017 based on our special report dated May 24, 2017, have been brought to our attention:

- **With M. Yves Roche:**

##### **Compensation for Mr. Yves Roche should he be discharged from his duties as CEO following a major change in share ownership**

Your Company undertook to grant Mr. Yves Roche, in the event of a major change in share ownership resulting in his being discharged from his duties as CEO and employee, compensation under the following arrangement:

- Compensation would be paid to Mr. Yves Roche should he be discharged from his duties as CEO of the Company for any reason other than a blatant violation of his obligations in his capacity as a corporate officer of the Company (such as the commission of an act that could be qualified as a criminal offense) or should he resign from his duties as CEO of the Company due to significant changes in his responsibilities in this capacity or a major disagreement with the Board of Directors concerning Group strategy and/or management, in the twelve months following a major change in share ownership supported by the Board of Directors (or a public offer recommended by the Board of Directors).
- The compensation payment would be subject to the following cumulative performance conditions:
  - the active and constructive involvement of the CEO, in all work preliminary to a restructuring of the share ownership, in accordance with specific obligations for listed companies; in the event of a public offer for the shares of Recylex S.A., this will include participation in the preparation of all documents relating to Recylex S.A. and the performance of all procedures specific to facilitating the public offer process; and
  - the performance of all procedures necessary to limit the economic and financial consequences of the major change in share ownership, particularly vis-à-vis clients and suppliers and take all reasonably necessary measures to ensure a smooth transition with the new management team.

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- In accordance with the law, this compensation may only be paid once the Board of Directors has acknowledged that the aforementioned performance conditions have been met.
- If the performance conditions are met, the gross compensation paid to Mr. Yves Roche would be equal to twice the gross annual compensation that he would have received as Company CEO for the last fiscal year ended prior to the effective date of termination of his duties as Company CEO.
- This compensation would not be cumulative with all other possible compensation (legal, professional, contractual or retirement) to which Mr. Yves Roche could be entitled in connection with the termination of his duties as Company CEO.

The approbation of this Commitment that has already been approved by Shareholders' meeting held on 6 May 2008, has been renewed by the Shareholders' meetings of 12 May 2014 and 11 July 2017 in the context of the renewal of the term of office of M. Yves Roche.

This commitment is not intended to apply since 30 November 2017, the date on which the Board of Directors has acknowledged the resignation by M. Yves Roche from his positions as Director, Chairman of the Board and Chief Executing Officer.

Paris La Défense and Neuilly-sur-Seine, 13 April 2018

French original signed by the statutory auditors

KPMG Audit ID

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