

Suresnes, August 29, 2008

## RECYLEX: PRESENTATION OF THE CONDENSED INTERIM CONSOLIDATED STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2008

### ▪ 2008 half-year results (consolidated financial statements):

At its meeting of August 29, 2008, the Board of Directors of Recylex SA reviewed the Recylex Group's condensed consolidated financial statements for the six months ended June 30, 2008.

Sales for the first half of 2008 amounted to €204.0 million versus €225.6 million for the same period of 2007. The Group incurred an operating loss of €5.4 million during the first half of 2008 versus operating income of €35.6 million in the first half of 2007. The net loss attributable to equity holders of the parent came to €19.6 million versus net income of €29.4 million in the first half of 2007.

In 2007 the Group benefited from exceptionally high lead prices. The loss incurred in the first half of 2008 was mainly due to a provision of €14.4 million (amount discounted to current value) set aside for a labour dispute with former employees of Metaleurop Nord SAS and to the sharp drop in lead and zinc prices in the first half of 2008. In the lead business, this sharp fall had a severe impact on the value of the Group's lead inventories<sup>1</sup>, which however did not affect its cash position. It also affected lead and zinc margins, particularly where prices of materials for recycling declined more slowly.

However, Plastics posted growth compared with the first half of 2007. In addition, from the first half of 2008, Special Metals benefited from the investment made in March 2007 in the arsenic tetrachloride operation in Germany.

### Key figures (IFRS)

€ millions	June 30, 2008 6 months	June 30, 2007 6 months
Consolidated sales	<b>204.0</b>	<b>225.6</b>
Operating income before non-recurring items	<b>(5.4)</b>	<b>35.6</b>
Net income - Group share	<b>(19.6)</b>	<b>29.4</b>
Equity - Group share	<b>128.8</b>	<b>105.0</b>

<sup>1</sup> The Recylex Group has opted to provide on pages 4 and 5 of this press release additional information on the impact of restating the lead inventories held by its main plant in Germany using the "last-in, first-out" (LIFO) method, which is not permitted under IFRSs, as it believes this helps to have a better understanding of the Group's income.

- **Operations and significant events of the first half:**

- Market conditions in the first half of 2008

Lead prices fell from €1,780 to €1,197 per tonne during the first half of 2008. Despite this sharp fall, the average lead price in the first half of 2008 was €1,704 per tonne, compared with €1,488 per tonne in the same period of 2007. The average price for 2007 was €1,882 per tonne.

The price of zinc continued to fall throughout the first half of 2008, reaching an average of €1,486 per tonne versus an average of €2,680 per tonne in the first half of 2007.

	<b>First half 2008</b>	<b>Second half 2007</b>	<b>First half 2007</b>
Lead prices (euros per tonne)	1,704	2,254	1,488
Zinc prices (euros per tonne)	1,486	2,081	2,680

- Operations of Group companies in the first half of 2008

Lead contributed 65% of Group sales, Zinc 24%, Special Metals 7% and Plastics 4%.

- Lead

The Lead business incurred an operating loss of €5.4 million. This was mainly due to the impact of valuing the Nordenham plant's lead inventory using the weighted average cost method, as described in the additional information provided at the end of this press release.

In addition, the sharp fall in lead prices was not passed on immediately by suppliers of secondary materials. Consequently, margins contracted compared with the same period of the previous year.

On January 25, 2008, the lead smelting and refining operation of subsidiary FMM (Belgium) was suspended by order of the Brussels Environmental Management Institute (IBGE) following the delivery of raw material feed accidentally containing mercury. During this period, the commercial activities continued. The plant resumed its smelting and refining operation on June 3, 2008 after implementing tighter control over raw materials and smoke emissions in close collaboration with the IBGE.

In March 2008, Nordenham shut down for three weeks for its regular major planned maintenance, which had an impact on sales and maintenance costs.

- Zinc

The steel mill dust recycling business (Harz Metall GmbH (Zinc) and Recytech SA, which is 50%-owned by the Group) were hit by the sharp fall in zinc prices.

Planned maintenance shut-downs took place in the first half of 2008. At Recytech, the resumption of operations after the maintenance shut-down led to an increase in production at the end of the second quarter of 2008.

Despite the sharp correction in zinc prices, the business posted €1.5 million in operating income before non-recurring items.

- Special Metals

Growth in sales of the Special Metals business compared with the first half of 2007 was driven by a successful start-up of the RMO plant (Reinstmetalle Osterwieck GmbH).

Special Metals posted €1.7 million in operating income before non-recurring items.

- Other businesses

Growth in sales of other businesses compared with the first half of 2007 was mainly due to the increase in polypropylene prices.

Plastics posted €0.7 million in operating income before non-recurring items.

- 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.

- In the lawsuit brought by the former employees of Metaleurop Nord SAS, the Industrial Section of the Lens Labour Court handed down its ruling on June 27, 2008 and awarded €30,000 in compensation plus €300 in expenses to each of the 493 plaintiffs in particular on the grounds that Recylex SA was the co-employer of the former employees of Metaleurop Nord SAS. However the court ruled that the compensation, which totalled €14.9 million, should be included as a liability in Recylex SA's continuation plan. Recylex SA has appealed against these rulings and their execution has therefore been suspended. The Management Section of the Lens Labour Court, which involves 91 plaintiffs and a total claim of €2.8 million, is due to deliver its ruling on September 30, 2008.

As at June 30, 2008, the company made a provision covering the global amount, discounted to current value, of all the damages granted by the Industrial Section of the Lens Labour Court and the claims lodged before the Management Section of the same Labour Court.

- The second lawsuit, brought by the liquidators of Metaleurop Nord SAS claiming the repayment by Recylex SA of €50 million of Metaleurop Nord SAS's 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 appeal is due to be heard on October 21, 2008.

Based on the status of this lawsuit at the preparation date of the financial statements, the company did not deem it necessary to set aside any provisions in the financial statements at June 30, 2008.

Recylex SA continues to defend its interest in both cases, particularly given the favourable rulings delivered from 2003 to date by the commercial courts. The ruling delivered by the Industrial Section of the Lens Labour Court should not jeopardise Recylex's continuation plan, which is scheduled to last until 2015. However, should the outcome of both lawsuits be unfavourable to Recylex, execution of the continuation plan could be called into question.

- **Description of the main risks and uncertainties for the second half of 2008**

The main risks likely to impact the Group's results in the second half of 2008 are, first, trends in lead and zinc prices relative to the purchase cost of secondary materials, and second, the outcome of the lawsuits described above.

- **Outlook – business trends**

In view of the continued fall in lead and zinc prices, the Group is taking measures to reduce its supply costs.

The used battery processing plants were shut down for maintenance in July and August 2008.

Lastly, a used battery processing plant designed by Recylex engineers is currently being built in Aïn Ouassara, 200 kilometres south of Algiers in Algeria. The plant will have a capacity of 20,000 tonnes of batteries per year and will be operated by Eco-Recyclage, an Algerian company one-third owned by the Recylex Group. The plant is due to come on stream at the end of December 2008.

- **Additional information on the impacts of restating the lead inventories held by the Nordenham plant using the LIFO method, which is not permitted under IFRS (unaudited figures)**

The Recylex Group holds lead inventories at its Nordenham plant in Germany 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 but quantity remains relatively stable.

In accordance with IFRSs, these inventories are measured using the average weighted cost method<sup>2</sup>. However, because lead prices are highly volatile, use of this method can make it difficult to assess the plant's performance and therefore the overall performance of the Group's lead business.

The Group believes that measuring these lead inventories using the LIFO (last-in, first-out) method provides more relevant information for assessing the lead business's actual financial performance.

Therefore, the impact of the restatement of the Nordenham's plant inventories using the LIFO method on the first-half 2008 and first-half 2007 operating income and net income is presented in the following table, for information purposes only:

€ 000s	First-half 2008 IFRS	Restatement	First-half 2008 LIFO	First-half 2007 LIFO
<b>Sales of goods and services</b>	204 023		204 023	225 564
<b>Operating income before non-recurring items</b>	(5 415)	13 385	7 970	28 083
<b>Operating income</b>	(22 817)	13 385	(9 432)	28 202
<b>Net income</b>	(19 554)	10 039	(9 516)	23 764

It should be noted that the restatement of the Nordenham plant's lead inventories using the LIFO method instead of the weighted average cost method (IFRS) does not have any impact on the Group's cash position.

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**Recylex: Recycle, Transform, Enhance**

*Recylex specialises in recycling lead and plastic (from automobile and industrial batteries), recycling zinc from steel mill dust, and producing zinc oxides and special metals for the electronics industry. It operates in France, Germany and Belgium.*

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<sup>2</sup> IAS 2 requires inventories to be measured using the average weighted cost method or the first-in, first-out (FIFO) method.