2010 INTERIM FINANCIAL REPORT

(Article L. 451-1-2 III of the French Monetary and Financial Code and
Articles 222-4 and seq. of the AMF (*Autorité des Marchés Financiers)* General Regulation)

Contents

BUSINESS REVIEW FOR THE FIRST HALF OF 2010

2010 interim results (consolidated financial statements):

At its meeting of August 30, 2010, the Board of Directors of Recylex SA reviewed and approved the condensed consolidated financial statements of the Recylex Group (hereinafter referred to as the "Group") for the six months ended June 30, 2010.

Consolidated sales for the first half of 2010 were €193.6 million versus €103.5 million for the same period in 2009.

The Group generated an operating profit before non-recurring items of €4.0 million in the first half of 2010 versus an operating loss before non-recurring items of €6.5 million in the first half of 2009.

Consolidated net income attributable to equity holders of the parent was €5.6 million in the first half of 2010 versus €0.1 million in the first half of 2009.

- **Key figures**

In millions of euros	**First half 2010** ***(to June 30, 2010)***	**First half 2009** ***(to June 30, 2009)***
Consolidated sales	193.6	103.5
EBITDA (IFRS)	11.6	(9.8)
EBITDA (LIFO)[1]	13.1	(9.2)
Operating income (loss) before non-recurring items (IFRS)	4.0	(6.5)
Operating income (loss) before non-recurring items (LIFO)[1]	7.9	(12.9)
Consolidated net income (IFRS)	5.6	0.1

In millions of euros	***At June 30, 2010***	***At December 31, 2009***
Equity	110.0	103.2
Cash and cash equivalents	43.8	53.5

[1] *To assess the performance of its Lead operating segment, in its internal reporting the Group uses the LIFO (last in-first out) method - not permitted under IFRS - to measure inventories for its main smelter in Germany (Nordenham). The effects of the adjustment to inventories at the main smelter in Germany under the LIFO method are presented in Note 4 of the notes to the condensed consolidated financial statements.*

- **Financial position**

Cash and cash equivalents decreased during the first half of 2010 due to a sharp rise in the working capital requirement, relating primarily to the increase in raw materials inventories, capital expenditure of €4.2 million and the payment of €3 million to 460 former non-managerial employees of Metaleurop Nord SAS (see section on legal proceedings below and Notes 1, 6.1, 6.4 and 6.11 of the notes to the condensed consolidated financial statements to June 30, 2010).

- **Operations and significant events of the first half of 2010:**

  - Market conditions in the first half of 2010

The first half of 2010 was subject to a high level of volatility in lead and zinc prices, with averages for the period remaining well above those observed in the first half of 2009. However, prices have been under pressure since May 2010. The fall in the euro against the dollar compensated partly for the decline in metals prices.

Average (euros per tonne)	**First half 2010**	**2009**	**First half 2009**
Lead price	1,565	1,225	995
Zinc price	1,619	1,179	990

  - Operations of Group companies in the first half of 2010

Lead accounted for 68% of total sales compared with 23% for zinc, 6% for special metals and 3% for plastics.

	June 30, 2010			
In millions of euros	**Sales**	**Adjusted operating income before non-recurring items**[1]	**Difference relating to use of the average weighted cost (AWC) method compared with the LIFO method**	**Operating income before non-recurring items (IFRS)**
Lead	132.3	4.4	(3.9)	0.5
Zinc	43.7	4.1		4.1
Special metals	12.6	0.9		0.9
Plastics	5.0	0.5		0.5
Other		(2.1)		(2.1)
TOTAL	193.6	7.9		4.0

In millions of euros	June 30, 2009			
	Sales	**Adjusted operating income before non-recurring items[1]**	**Difference relating to use of the average weighted cost (AWC) method compared with the LIFO method**	**Operating income before non-recurring items (IFRS)**
Lead	71.1	(5.2)	6.4	1.2
Zinc	20.1	(3.0)		(3.0)
Special metals	7.9	(1.7)		(1.7)
Plastics	4.4	(0.3)		(0.3)
Other		(2.7)		(2.7)
TOTAL	103.5	(12.9)		(6.5)

- *Lead*

The sharp increase in battery processing volumes observed at the end of 2009 continued during the first four months of 2010. Despite a slowdown since May 2010, processing volumes are still satisfactory. However, purchase prices for batteries remained very high during the first half of 2010, which reduced margins. The trend reversed following the fall in lead prices at the end of the first half of 2010 and battery purchase prices started to decrease. This trend has still to be confirmed for the first few months of the second half of 2010.

Volumes produced by the lead business also increased. However, business conditions as a whole remained less than satisfactory compared with the period a year-earlier, particularly in premiums on lead sales, which fell in 2010. The situation has improved since the start of 2010 for sales of sulphuric acid - a by product sold by the Nordenham plant from the sulphur contained in used batteries and lead concentrates.

The Nordenham plant closed for planned maintenance work for four weeks between April and May 2010.

- *Zinc*

The steel mill dust recycling plants - Harz Metall GmbH and Recytech SA, of which the Group owns 50% - which were affected by the crisis at the start of 2009, saw a recovery at the end of the second half of 2009. The timid recovery observed in the second half of 2009 was confirmed in the first half of 2010. During the first half of 2010, the Harz Metall GmbH plant produced at full capacity. The

Recytech SA plant closed for planned maintenance work for three weeks in June 2010.

The zinc recycling business (Norzinco GmbH) enjoyed a satisfactory first half of 2010 thanks to the solid level of orders from the chemicals industry, which is benefiting from a recovery, unlike the tyre industry.

- *Special metals*

This business was severely affected by the crisis in 2009. Since the start of 2010, encouraging signs of recovery in the high purity arsenic and cadmium telluride sectors have allowed for a 59% increase in sales in the first half of 2010 compared with the period a year-earlier.

- *Plastics*

Despite sales growth of 14% in the first half of 2010 compared with the first half of 2009, recovery has yet to be seen in this sector.

- **Legal proceedings**

  - Metaleurop Nord SAS

The lawsuits brought against Recylex SA in 2005 by former employees of Metaleurop Nord SAS and the one brought in 2006 by the liquidators of Metaleurop Nord SAS are still in progress:

- Former employees of Metaleurop Nord SAS

  - *Former non-managerial employees*

On June 27, 2008, the Industry section of the Lens labour tribunal decided to award each of the 493 non-managerial plaintiffs damages of €30,000 plus €300 in costs, having decided to consider that Recylex was their co-employer. It also decided that these amounts, representing 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 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 recognize these sums as liabilities totalling around €12.4 million.

- 11 cases involving unprotected former employees have been adjourned for various reasons (death of claimant, lack of documentation, employee made redundant before Metaleurop Nord SAS's liquidation). The Douai Appeal Court has decided to adjourn the hearing concerning these cases to October 27, 2010.

- 22 rejections of claims from protected former employees (staff representatives, members of the works council, trade union representatives).

On February 9, 2010, the Company lodged an appeal before the *Cour de Cassation* against 460 rulings awarding damages to unprotected former employees, which does not suspend the rulings' enforcement. In accordance with Recylex SA's continuation plan, 24% of these damages - corresponding to the first four instalments of the plan payable from 2006 to 2009 - equal to around €3 million, were paid in February 2010. The remainder will be paid off in instalments according to the terms of the continuation plan between now and 2015.

- *Former managerial employees*

On September 15 and 30, 2009 and February 26, 2010, the Management Section of the Lens labour tribunal gave its rulings, considering in particular that Recylex SA was co-employer of 91 former managerial employees of Metaleurop Nord SAS. 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 against these decisions, thereby suspending their application. The hearing before the Douai Appeal Court has been adjourned to October 27, 2010.

Recylex SA has set aside provisions in its financial statements for the total amount claimed by former managerial employees and 11 former non-managerial employees of Metaleurop Nord SAS, representing around €3.1 million, before discounting.

- 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. On February 27, 2007, the commercial division of the Béthune Regional Court dismissed the claim, considering that Recylex SA was not the de facto manager of Metaleurop Nord SAS. The liquidators have appealed the ruling. 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'État on the basis of a review of the legality of a regulatory provision.

Recylex SA had argued that the action was inadmissible on the grounds that the liquidators had failed to file 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 had asserted the existence of a provision in the regulations dispensing them from doing so. Recylex SA applied to the Conseil d'État for a preliminary ruling on legality on February 12, 2009. 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.

Recylex SA has not set aside any provisions in its accounts or in 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, deciding in its commercial capacity 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 continuation 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 continuation plan could be jeopardised.

- Civil liability claim against the creditors' representative

As part of 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. Recylex SA therefore decided to take a civil liability action against the creditors' representative.

In a ruling on January 20, 2010, the Paris Regional Court ordered the creditors' representative to pay Recylex SA the sum of €3 million in damages and interest, with interim enforcement of €1 million. On February 22, 2010, the decision was appealed by the creditors' representative.

On June 15, 2010, Recylex SA signed a settlement of agreement with the creditors' representative providing for the latter's withdrawal from the appeal procedure and the payment to Recylex SA of an amount of €1.5 million by way of settlement.

- **Events subsequent to June 30, 2010**

On July 2, 2010, Norzinco SA signed an agreement with the owner of the site in Anzin providing for the early termination, with effect from May 31, 2010, of the commercial lease due to expire on October 1, 2011. This event has been included in the condensed consolidated financial statements to June 30, 2010 (Notes 5.3 and 10 of the condensed consolidated financial statements to June 30, 2010) by a provision release of €0.9 million (Note 6.10 of the notes to the condensed consolidated financial statements to June 30, 2010).

- **Description of the main risks and uncertainties for the second half of 2010**

The main risks likely to impact the Group's results in the second half of 2010 are, first, trends in lead and zinc prices relative to the purchase cost of secondary materials, and second, the outcome of the lawsuits concerning Metaleurop Nord SAS described above.

- **Outlook – business trends**

Metal prices stabilised at the start of the second quarter of 2010 at the levels of June 2010. While lower than at the start of the first quarter of 2010, these levels are still above the averages for 2009.

The battery processing plant in Algeria operated by Eco-Recyclage, a company under Algerian law in which Recylex holds a 33.33% stake, began operations. The first deliveries of lead-enriched products were made to the Nordenham smelter. With production facilities working satisfactorily, emphasis is now placed on supplies of used batteries in order to increase processing volumes.

- **Main related-party transactions**

Details of the main related-party transactions are provided in Note 9 of the condensed consolidated financial statements to June 30, 2010.

- **Statement of changes in equity**

The statement of changes in equity is provided in the condensed consolidated financial statements to June 30, 2010.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO JUNE 30, 2010

CONSOLIDATED BALANCE SHEET
At June 30, 2010
(in thousands of euros)

	Notes	June 30, 2010	December 31, 2009
		(in thousands of euros)	(in thousands of euros)
Assets			
Non-current assets			
Property, plant and equipment	6.1	72,222	72,866
Intangible assets	6.1	1,815	1,857
Financial assets		484	847
Financial instruments	6.12	-	-
Other non-current financial assets	6.3	5,482	5,303
Investments in associates		85	-
Deferred tax assets	5.6	7,062	8,506
		87,150	**89,379**
Current assets			
Inventories	6.4	67,162	57,850
Trade receivables	6.5	37,884	33,655
Tax receivables		95	1,727
Other current assets	6.6	6,638	8,014
Other financial instruments	6.12	944	122
Cash and cash equivalents	6.7	43,796	53,498
		156,519	**154,866**
TOTAL ASSETS		**243,669**	**244,245**
Equity and liabilities	6.8		
Issued capital		47,950	47,920
Share premiums		866	783
Reserves attributable to equity holders of the parent		53,803	44,604
Hedging reserves		392	(630)
Net income attributable to equity holders of the parent		5,579	9,065
Translation adjustments		1,452	1,452
Issued capital and reserves attributable to equity holders of the parent		**110,042**	**103,195**
Minority interests			-
Total equity		**110,042**	**103,195**
Non-current liabilities			
Interest-bearing borrowings	6.9	7,875	9,455
Provisions	6.10	27,254	26,144
Pension liabilities		24,747	24,955
Other non-current liabilities	6.11	20,986	20,617
Deferred tax liabilities	5.6	473	2,424
		81,336	**83,595**
Current liabilities			
Interest-bearing borrowings	6.9	6,964	3,932
Provisions	6.10	8,246	11,113
Pension liabilities		2,140	2,214
Trade payables		15,737	19,709
Income tax payable		2,815	2,291
Other financial instruments	6.12	258	2,072
Other current liabilities	6.11	16,131	16,123
		52,291	**57,454**
TOTAL LIABILITIES		**133,627**	**141,050**
TOTAL EQUITY AND LIABILITIES		**243,669**	**244,245**

INTERIM CONSOLIDATED INCOME STATEMENT
At June 30, 2010

(in thousands of euros)	*Notes*	*June 30, 2010*	*June 30, 2009*
		(in thousands of euros)	*(in thousands of euros)*
Sales of goods and services		193,601	103,542
Total sales		**193,601**	**103,542**
Purchases consumed		(126,542)	(67,312)
Staff costs		(21,190)	(19,839)
External costs	5.1	(27,088)	(20,110)
Taxes other than on income		(1,067)	(753)
Depreciation, amortisation and impairment losses	5.2	(7,606)	3,307
Goodwill impairment losses		-	-
Changes in work-in-progress and finished goods		(6,265)	(5,931)
Other operating income and expenses		189	591
Operating income before non-recurring items		**4,032**	**(6,505)**
Other non-recurring operating income and expenses	5.3	2,124	11,920
Operating income		**6,156**	**5,415**
Interest income from cash and cash equivalents	5.4	127	540
Gross interest expense	5.4	(422)	(433)
Net interest expense	5.4	**(295)**	**107**
Other financial income and expense	5.5	**317**	**(2,010)**
Income tax expense	5.6	(471)	(3,403)
Share in income from equity affiliates		(129)	-
Consolidated net income		**5,579**	**109**
Minority interests			
Net income attributable to equity holders of the parent		5,579	109
Earnings per share:		*In euros*	*In euros*
- basic	**5.7**	0.23	0.005
- diluted	**5.7**	0.23	0.005

STATEMENT OF COMPREHENSIVE INCOME
At June 30, 2010

(in thousands of euros)	June 30, 2010	June 30, 2009
Net income……………………………………………………………………	**5,579**	**109**
Translation adjustments…………………………………………………....	-	-
Cash flow hedges …………… …………………………..........................	1,442	(1,748)
Deferred tax on cash flow hedges………………………………………...	(420)	509
Available-for-sale securities……………………………………………….	-	-
Translation adjustments relating to equity affiliates…………………….	9	-
Income and expenses recognised directly in equity ……………………	-	-
Total other comprehensive income (expense)……………………….	**1,031**	**(1,239)**
Comprehensive income loss)……………………………………..	**6,610**	**(1,130)**
Of which:		
Attributable to equity holders of the parent………………………………	6,610	(1,130)
Minority interests……………………………………………………………	-	-

STATEMENT OF CHANGES IN EQUITY AT JUNE 30, 2010

(in thousands of euros, except per share data)	*Number of shares*	*Share capital*	*Share premiums*	*Hedging reserves*	*Conso. reserves*	*Total equity, attributable to eq. holders of parent*	*Total equity*
Equity at January 1, 2009	**23,957,982**	**47,916**	**783**	**1,624**	**45,762**	**96,084**	**96,084**
Net income for the year					109	109	109
Other comprehensive income (expense)							
Change in hedging reserves net of tax (1)				(1,239)		(1,239)	(1,239)
Total other comprehensive income (expense)				(1,239)		(1,239)	(1,239)
Total comprehensive income (expense) for the period				**(1,239)**	**109**	**(1,130)**	**(1,130)**
Share-based payment					127	127	127
Issue of shares/reduction in capital (2)							
Equity at June 30, 2009	**23,957,982**	**47,916**	**783**	**385**	**45,998**	**95,082**	**95,082**
Equity at January 1, 2010	**23,959,982**	**47,920**	**783**	**(630)**	**55,122**	**103,195**	**103,195**
Net income for the year					5,579	5,579	5,579
Other comprehensive income (expense)							
Change in hedging reserves net of tax (1)				1,022		1,022	1,022
Change in translation adjustments					9	9	9
Total other comprehensive income (expense)				1,022	9	1,031	1,031
Total comprehensive income (expense) for the period				**1,022**	**5,588**	**6,610**	**6,610**
Share-based payment					124	124	124
Issue of shares/reduction in capital (2)	15,000	30	83			113	113
Equity at June 30, 2010	**23,974,982**	**47,950**	**866**	**392**	**60,834**	**110,042**	**110,042**

(1) Other changes reflect hedging reserves (Note 6.12) net of deferred tax liabilities.

(2) Changes in share capital are detailed in Note 6.8.

CONSOLIDATED STATEMENT OF CASH FLOW
At June 30, 2010

(In thousands of euros)	*June 30, 2010*	*June 30, 2009*
	(in thousands of euros)	(in thousands of euros)
Net income of consolidated companies…………………………......................................	5,579	109
Income from affiliates………………………………………………………………………	129	-
Non-cash income and expenses……………………..	2,306	(1,117)
- Depreciation - property, plant and equipment……………………….…………..…......	*4,783*	*5,110*
- Amortisation - intangible assets……………………………………………………..……	*152*	*137*
- Additions to/releases from impairment loss provisions on intangible assets and property, plant and equipment……………………………………………………………...	*(94)*	*-*
- Changes in provisions……………………………………………………………………..	*(2,389)*	*(1,197)*
- Elimination of stock option impacts……………………………………………………....	*124*	*127*
- Non-cash eliminations[2]…………………………………………………………………	*(280)*	*(5,324)*
- Gains and losses on disposals of non-current assets…………...………………………	*8*	*30*
Cash flow after net interest and tax expense	**8,014**	**(1,008)**
- Elimination of interest expense…………………………..……………………………	*295*	*(107)*
- Income tax expense…………………………………………………..….....................	*470*	*3,403*
Cash flow before net interest and tax expense	**8,779**	**(2,288)**
Change in the current working capital requirement…..…………….……........................	(16,754)	(4,297)
- Inventories………………………………………………………………….…………………	*(11,833)*	*2,362*
- Trade receivables……………………………………………….....................................	*(4,140)*	*(9,761)*
- Trade payables……………………………………………………..................................	*(3,972)*	*(1,442)*
- Other current assets and liabilities………………….. ………………….………….	*3,191*	*4,544*
Change in the non-current working capital requirement…………………………………	(1,226)	(115)
Impact of changes in provisions on the working capital requirement ………..................	1,740	(8,402)
Income tax expense……………………………………………………………………....	759	(2,776)
Cash flow from operating activities	**(6,703)**	**(13,302)**
Changes in the scope of consolidation………………………………………………….....	-	-
Purchases of property, plant and equipment, and intangible assets…………………….	(4,044)	(3,505)
Disposals of property, plant and equipment, and intangible assets……………..….....	19	12
Changes in financial assets [3]……………………………………………………..……….	1	(4,942)
Cash flow from investment activities	**(4,023)**	**(8,435)**
Increases in borrowings………………………….…………………….……………………	-	-
Repayment of borrowings…………………………………………….…………………...	(1,673)	(944)
Other cash flow from financing activities…………………………………………….…..	(121)	3,953
Interest income (expense) on financial assets……………………………………………	(295)	128
Other movements in share capital………………………………………..……………	112	-
Cash flow from financing activities	**(1,976)**	**3,138**
Changes in cash and cash equivalents	**(12,702)**	**(18,599)**
Cash and cash equivalents at beginning of period (Note 6.7)…………………………..	53,498	77,450
Cash and cash equivalents at close of period (Note 6.7)……......................................	40,796	58,851
Changes in cash and cash equivalents	**(12,702)**	**(18,599)**

[2] Mainly comprising a gain elimination following a debt waiver granted to the Group in June 2009 (see Note 5.3)
[3] Comprising the recognition of a financial asset dedicated to the rehabilitation of some of the Group's sites in Germany in June 2009 (see Note 6.3)

NOTE 1: PRESENTATION OF THE BUSINESS AND SIGNIFICANT EVENTS IN THE FIRST HALF OF 2010

Details of the company

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 dust particles from electric steel plants, and producing zinc oxides and special high purity metals.

Recylex SA is a *société anonyme* (joint-stock corporation) listed on NYSE Euronext Paris (compartment B) and registered in France.

On August 30, 2010, the Board of Directors approved and authorised publication of Recylex SA's interim condensed consolidated financial statements for the six months ended June 30, 2010.

Significant events in the first half of 2010

The first half of 2010 was subject to a high level of volatility in lead and zinc prices, with average prices for the period remaining well above those observed in the first half of 2009. However, prices have been under pressure since May 2010. The fall in the euro against the dollar compensated partly for the decline in metals prices.

Average (euros per tonne)	**First half 2010**	**2009**	**First half 2009**
Lead price	1,565	1,225	995
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In the lead sector, the sharp increase in battery processing volumes observed at the end of 2009 continued during the first four months of 2010. Despite a slowdown since May 2010, processing volumes are still satisfactory. However, purchase prices for batteries remained very high during the first half of 2010, which reduced margins. Following the fall in lead prices, battery purchase costs also declined at the end of the first half of 2010. This phenomenon has still to be confirmed for the first few months of the second half of 2010.

The Nordenham plant closed for planned maintenance work for four weeks between April and May 2010. Volumes produced by the lead business increased. However, business conditions as a whole remained less than satisfactory compared with the year-earlier period, particularly in premiums on lead sales, which fell in 2010. The situation has improved since the start of 2010 for sales of sulphuric acid - a byproduct produced and sold by the Nordenham plant from the sulphur contained in used batteries and lead concentrates.

In the zinc sector, steel mill dust recycling plants - Harz Metall GmbH (Zinc) and Recytech SA, of which the Group owns 50% - which were affected by the crisis at the start of 2009, saw a recovery at the end of the second half of 2009. The timid recovery observed in the second half of 2009 was confirmed in the first half of 2010. During the first half of 2010, the Harz Metall GmbH plant produced at full capacity. The Recytech SA plant closed down for planned maintenance work for three weeks in June 2010.

The zinc recycling business (Norzinco GmbH) enjoyed a satisfactory first half of 2010 thanks to the solid level of orders from the chemicals industry, which is benefiting from a recovery, unlike the tyre industry.

The special metals business was severely affected by the crisis in 2009. Since the start of 2010, encouraging signs of recovery in the high purity arsenic and cadmium telluride sectors have allowed for a 59% increase in sales in the first half of 2010 compared with the year-earlier period.

In the plastics business, despite sales growth of 14% in the first half of 2010 relative to the first half of 2009, recovery has yet to be seen in the sector.

The lawsuits brought against Recylex SA in 2005 by former employees of Metaleurop Nord SAS and the one brought in 2006 by the liquidators of Metaleurop Nord SAS are still in progress:

• Former employees of Metaleurop Nord SAS. :

(i) On June 27, 2008, the Industry section of the Lens labour tribunal decided to award each of the 493 non-managerial plaintiffs damages of €30,000 plus €300 in costs, having decided that Recylex SA was their co-employer. It also decided that these amounts, representing 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 has appealed against these decisions.

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- Damages were awarded to 460 unprotected former employees and Recylex SA was ordered to recognize these sums as liabilities totalling around €12.4 million.

- 11 cases involving unprotected former employees have been adjourned for various reasons (death of claimant, lack of documentation, employee made redundant before Metaleurop Nord SAS's liquidation). The Douai Appeal Court has decided to adjourn the hearing concerning these cases to October 27, 2010.

- 22 rejections of claims from protected former employees (staff representatives, members of the works council, trade union representatives).

On February 9, 2010, the Company decided to lodge an appeal against 460 rulings awarding damages to unprotected former employees, which does not suspend the rulings' enforcement. In accordance with Recylex SA's continuation plan, 24% of these damages - corresponding to the first four instalments of the plan payable from 2006 to 2009 - equal to around €3 million, were paid in February 2010. The remainder will be paid off in instalments according to the terms of the continuation plan.

(ii) On September 15 and 30, 2009 and February 26, 2010, the Management section of the Lens labour tribunal gave its rulings, considering in particular that Recylex SA was co-employer of 91 former managerial employees of Metaleurop Nord SAS. 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 against these decisions, thereby suspending their application. The hearing before the Douai Appeal Court has been adjourned to October 27, 2010.

Recylex SA has set aside provisions in its financial statements for the total amount claimed by former managerial employees and 11 former non-managerial employees of Metaleurop Nord SAS, representing around €3.1 million, before discounting.

• 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. On February 27, 2007, the commercial division of Béthune Regional Court dismissed the claim, considering that Recylex SA was not the de facto manager of Metaleurop Nord SAS. The liquidators have appealed the ruling. 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'État on the basis of a review of the legality of a regulatory provision.

Recylex SA had argued that the action 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 had asserted the existence of a provision in the regulations dispensing them from doing so. Recylex SA applied to the Conseil d'État for a preliminary ruling on legality on February 12, 2009. 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.

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, deciding in its commercial capacity 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 continuation 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 continuation plan could be jeopardized.

• Civil liability claim against the creditors' representative

As part of 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. Recylex SA therefore decided to take a civil liability action against the creditors' representative.
In a ruling on January 20, 2010, the Paris Regional Court ordered the creditors' representative to pay Recylex SA the sum of €3 million in damages and interest, with interim enforcement of €1 million. On February 22, 2010, the decision was appealed by the creditors' representative.
On June 15, 2010, Recylex SA signed a memorandum of understanding with the creditors' representative providing for the latter's withdrawal from the appeal procedure and the payment to Recylex SA of the amount of €1.5 million by way of settlement.

NOTE 2: SIGNIFICANT ACCOUNTING METHODS

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

Pursuant to EC regulation no. 1126/2008 adopted on November 3, 2008, the Recylex Group has prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union at the preparation date of these financial statements.

The interim consolidated financial statements at June 30, 2010 have been prepared in accordance with IAS 34 – Interim Financial Reporting. They are presented in condensed format and do not therefore include all the information and notes contained in a complete set of annual financial statements. Consequently, they should be read in conjunction with the Recylex Group's consolidated financial statements for the year ended December 31, 2009.

As required by IAS 34, expenses incurred by the Group are not anticipated or deferred as of the interim reporting date if anticipation or deferral would not be appropriate at the end of the financial year. Accordingly, the level of costs and revenues reported during the period in which they arise may differ from one six-month period to the next. There is a seasonal effect, particularly during the summer months when plants are shut down for several weeks for maintenance purposes.

In the absence of any material change in post-employment benefit plans or the beneficiaries thereof, the Group's post-employment benefit obligation has not been recalculated as of the interim reporting date but accounted for on pro rata basis to the projections made at the beginning of the period.

With the exception of the points mentioned below, the accounting methods applied by the Group in the summary interim financial statements are the same as those used in the consolidated financial statements for the financial year ended December 31, 2009.

2.1. New standards

The following standards are applicable as of January 1, 2010 but do not have any material impact on the financial statements:

- IFRS 3 R and IAS 27* (revised) – Business Combinations and consolidation, applicable to annual periods starting on or after July 1, 2009. These standards were adopted by the European Union on June 3, 2009.

- IAS 39 – Financial Instruments – Eligible Hedged Items, applicable to annual periods starting on or after July 1, 2009. This standard was adopted by the European Union on September 15, 2009

- IFRIC 17*, Distributions of Non-cash Assets to Owners, applicable to annual periods 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 annual periods starting on or after July 1, 2009. This standard was adopted by the European Union on November 1, 2009.

The following new standards, amendments to existing standards and interpretations had been published but were not applicable at June 30, 2010, and have not been adopted early by the Group:

- Amendments to IAS 32 – Classification of Rights Issues - applicable to annual periods starting on or after February 1, 2010. This standard was adopted by the European Union on February 1, 2010.

- Amendment to IFRS 1* – Additional Exemptions for First-time Adopters - applicable to annual periods starting on or after January 1, 2010

- IAS 24 (revised)* – Related Party Disclosures - applicable to annual periods starting on or after January 1, 2011

- IFRS 9* - Financial instruments – Classification and Measurement - applicable to annual periods starting on or after January 1, 2013

- IFRIC 19*, Extinguishing Financial Liabilities with Equity Instruments, applicable to annual periods starting on or after July 1, 2010.

* Standards not yet adopted by the European Union

2.2. Estimates

In order to prepare the condensed interim consolidated financial statements, management is required to use its judgement and to make estimates and assumptions that impact the application of accounting methods and amounts of assets and liabilities, income and expenses. Actual values may differ from estimated values.

As part of the preparation of the condensed interim consolidated financial statements, apart from the points mentioned below, the significant judgements made by management to apply the Group's accounting methods and the main sources of uncertainty relating to estimates are the same as those for the consolidated financial statements for the year ended December 31, 2009. These estimates were made against the backdrop of highly volatile market conditions and the economic and financial crisis, characterised by difficulty in assessing the future outlook that prevailed at the close of the financial year ended December 31, 2009, as described in Note 1.

Over the six-month period to June 30, 2010, management reviewed its estimates concerning:

- Deferred tax assets relating to unused tax-loss carried forward (see Note 5.6);
- The recoverable amount of certain property, plant and equipment (see Note 6.2);
- Provisions (see Note 6.10).

NOTE 3: SCOPE OF CONSOLIDATION

There was a change in the scope of consolidation in the first half of 2010 compared with December 31, 2009: Eco Recyclage (Algeria) began operations during the first half of 2010. The Recylex Group holds a 33.33% stake in the company, which is consolidated under the equity method.

NOTE 4: OPERATING SEGMENTS

In accordance with IFRS 8, the information presented below 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
- The **Zinc** segment
- The **Special metals** segment
- The **Plastics** segment
- The **Other businesses** segment

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), 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 expense and net income for the periods ended June 30, 2010 and 2009.

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, under identical terms and conditions to those prevailing for the provision of goods and services to external customers.

Period ended June 30, 2010:

(in thousands of euros)	*Lead*	*Zinc*	*Special metals*	*Plastics*	*Other businesses*	*Elimina-tions*	*Total*
Sales to external customers…………	132,311	43,643	12,620	5,027	-	-	193,601
Inter-segment sales……………….….	3,695	-	-	976	-	(4,671)	-
Total sales…	**136,006**	**43,643**	**12,620**	**6,003**	**-**	**(4,671)**	**193,601**
Operating income (loss) before non-recurring items (LIFO)	**4,395**	**4,085**	**948**	**542**	**(2,070)**	**-**	**7,900**
LIFO > AWC adjustment………………	(3,868)	**-**	**-**	**-**	**-**	**-**	**(3,868)**
Reported operating income before non-recurring items (IFRS) [4]	**527**	**4,085**	**948**	**542**	**(2,070)**	**-**	**4,032**
Other non-recurring operating income/ (expense)………………………………..	37	791	-	(72)	1,368	-	**2,124**
Net financial items……………………….	759	(52)	179	(35)	(828)	-	**22**
Income tax benefit/ (expense)………….	780	(939)	(65)	(199)	(48)	-	**(471)**
Share in income from equity affiliates	(129)	-	-	-	-	**-**	**(129)**
Reported net income (IFRS)	**1,974**	**3,885**	**1,062**	**236**	**(1,580)**	**-**	**5,579**

(in thousands of euros)	**Lead**	**Zinc**	**Special metals**	**Plastics**	**Other businesses**	**Total**
Intangible assets	260	600	953	-	1	1,815
Property, plant and equipment	44,730	13,447	8,306	2,496	3,244	72,222
Inventories[5]	50,810	4,674	10,227	1,452	-	67,162
Trade receivables	23,983	7,207	3,760	1,737	1,196	37,884
Total segment assets	**119,783**	**25,928**	**23,246**	**5,685**	**4,441**	**179,082**
Provisions and pension liabilities	17,357	1,802	2,006	67	41,155	62,388
Trade payables	7,226	4,665	610	659	2,578	15,737
Other current liabilities	4,222	3,597	1,260	558	6,495	16,131
Segment liabilities	**28,805**	**10,064**	**3,875**	**1,283**	**50,228**	**94,255**
Property, plant and equipment	2,221	1,694	105	32	20	4,072
Intangible assets	111	-	-	-	-	111
Investments	**2,332**	**1,694**	**105**	**32**	**20**	**4,183**
Additions to property, plant and equipment………………………………	(2,948)	(1,252)	(407)	(137)	(39)	(4,783)
Additions to intangible assets………….	(94)	(37)	(22)	-	-	(153)
Other non-cash income and expenses[6]	(3,663)	803	80	158	827	(1,795)
Depreciation, amortisation and additions to provisions	**(6,705)**	**(486)**	**(349)**	**21**	**788**	**(6,731)**

[4] Operating income before non-recurring items (IFRS) in the Lead segment includes €3.0 million of inventory impairment losses caused by lower lead prices during June 2010.

[5] Lead inventories, measured using the LIFO method, totalled €42,027 thousand at June 30, 2010.

[6] Excluding write-backs of provisions utilised.

Period ended June 30, 2009: (in thousands of euros)	*Lead*	*Zinc*	*Special metals*	*Plastics*	*Other businesses*	*Eliminations*	*Total*
Sales to external customers…………	71,135	20,098	7,909	4,400	-	-	103,542
Inter-segment sales……………….….	1,550	3	25	906	-	(2,484)	-
Total sales……………………………	**72,685**	**20,101**	**7,934**	**5,306**	**-**	**(2,484)**	**103,542**
Operating income before non-recurring items (LIFO)	**(5,183)**	**(2,987)**	**(1,666)**	**(331)**	**(2,685)**	**-**	**(12,852)**
LIFO > AWC adjustment………………	6,347	**-**	**-**	**-**	**-**	**-**	**6,347**
Reported operating income before non-recurring items (IFRS)[7]	**1,164**	**(2,987)**	**(1,666)**	**(331)**	**(2,685)**	**-**	**(6,505)**
Other non-recurring operating income/ (expense)…………………………..…….	-	41	-	-	11,879	-	**11,920**
Net financial items………………………..	(1,888)	121	(101)	(71)	36	-	**(1,903)**
Income tax benefit/ (expense)………….	(1,276)	(131)	(288)	(31)	(1,677)	-	**(3,403)**
Reported net income (IFRS)	**(2,000)**	**(2,955)**	**(2,055)**	**(433)**	**7,553**	**-**	**109**

(in thousands of euros)	*Lead*	*Zinc*	*Special metals*	*Plastics*	*Other businesses*	*Total*
Intangible assets	313	666	997		24	2,000
Property, plant and equipment	46,540	12,898	7,782	2,972	3,340	73,532
Inventories[8]	30,937	6,629	11,180	1,604	-	50,350
Trade receivables	24,080	6,999	1,873	1,691	2	34,645
Total segment assets	**101,870**	**27,192**	**21,832**	**6,267**	**3,366**	**160,527**
Provisions and pension liabilities	19,250	3,810	2,368	151	57,684	83,263
Trade payables	10,923	1,678	169	912	1,325	15,007
Other current liabilities	6,481	5,024	1,265	1,001	2,427	16,198
Segment liabilities	**36,654**	**10,512**	**3,802**	**2,064**	**61,436**	**114,469**
Property, plant and equipment	1,890	1,206	176	33	-	3,305
Intangible assets	14	4	-	-	-	18
Investments	**1,904**	**1,210**	**176**	**33**	**-**	**3,323**
Additions to property, plant and equipment………………………………......	(2,945)	(1,374)	(358)	(433)	-	(5,110)
Additions to intangible assets…………..	(81)	(36)	(22)	1	-	(138)
Other non-cash income expenses[9]……	6,673	1,136	(99)	203	-	7,913
Depreciation, amortisation and additions to provisions	**3,647**	**(274)**	**(479)**	**(229)**	**-**	**2,665**

[7] Operating income before non-recurring items (IFRS) in the Lead segment includes €7.2 million of inventory impairment release (profit) caused by the increase lead prices in the first half of 2009.

[8] Lead inventories, measured using the LIFO method, totalled €23,728 thousand at June 30, 2009.

[9] Excluding write-backs of provisions utilised.

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.

Period ended June 30, 2010

(in thousands of euros)	***Western Europe***	***Other Europe***	***Americas***	***Rest of the world***	***Total***
Total sales …….	146,464	34,510	2,129	10,497	193,601

(in thousands of euros)	***France***	***Germany***	***Belgium***	***Total***
Investment in property, plant and equipment…….	1,065	2,933	75	4,073
Investment in intangible assets……………………	2	109	0	111

Period ended June 30, 2009

(in thousands of euros)	***Western Europe***	***Other Europe***	***Americas***	***Rest of the world***	***Total***
Total sales …….	86,790	13,055	2,260	1,437	103,542

(in thousands of euros)	***France***	***Germany***	***Belgium***	***Total***
Investment (property, plant and equipment and intangible assets)..	820	2,287	216	3,323
Non-current assets excluding tax and financial assets…..	15,832	58,134	1,565	75,532

Structure of sales

Sales in the Lead segment come from a limited number of customers. In 2010, 51% of the Group's consolidated sales came from 10 customers. (In the first half of 2009, 83% of the Group's consolidated sales came from 10 customers). One of these customers accounted for more than 10% of the Group's total sales at June 30, 2010. Sales in the other operating segments, particularly Zinc, where the customer base is highly fragmented, come from a large number of customers.

NOTE 5: NOTES TO THE INCOME STATEMENT

Note 5.1. External costs

External costs break down as follows:

(in thousands of euros)	*June 30, 2010*	*June 30, 2009*
General sub-contracting	(6,601)	(5,699)
Maintenance and repairs	(4,934)	(4,037)
Insurance premiums	(810)	(953)
Goods and public transportation	(10,360)	(5,618)
Leasing, rent and service charges	(1,020)	(1,081)
Fees and external labour costs	(1,805)	(1,467)
Travel and entertainment expenses	(319)	(325)
Other external expenses	(1,239)	(930)
Total external costs	**(27,088)**	**(20,110)**

The sharp rise in external costs relates primarily to the increase in business activity and the temporary suspension of Waëlz oxide production at the Harz-Metall GmbH and Recytech SA plants in the first half of 2009. The significant increase in transportation costs is due to much higher sales volumes and a change in the structure of the client base in the lead segment (effect of €2.3 million).

Note 5.2. Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses recognised during the periods ended June 30, 2010 and 2009 break down as follows:

(in thousands of euros)	*June 30, 2010*	*June 30, 2009*
Depreciation of property, plant and equipment	(4,689)	(5,110)
Amortisation of intangible assets	(152)	(137)
Additions to provisions and impairment losses	(2,765)	8,554
Total depreciation, amortisation and impairment losses	**(7,606)**	**3,307**

As a result of the fall in lead prices in June 2010, a provision for write-downs of lead inventories at the Nordenham plant was booked.

The significant reduction in provisions and impairment losses during the first half of 2009 was mainly due to the reversal of write-downs of inventories at the Nordenham plant following the rise in lead prices since December 31, 2008.

Note 5.3. Other non-recurring operating income and expenses

This item comprises income and expenses that are unusual in frequency, nature or amount.

(in thousands of euros)	*June 30, 2010*	*June 30, 2009*
Income from the sale of land in Germany	209	
Income following debt waiver	-	5,988
Sums received for the rehabilitation of old sites	-	5,000
Other income and expenses	25	55
Provision for labour court litigation	(333)	-
Settlement of legal dispute with creditors' representative (1)	1,500	877
Reversal of provision relating to the disposal of Norzinco SA's activities (2)	961	-
Non-recurring expenses - Disposal of Norzinco SA's activities	(238)	
Total other non-recurring operating income and expenses	**2,124**	**11,920**

(1) On June 15, 2010, Recylex SA signed a memorandum of understanding with the creditors' representative providing for the latter's withdrawal from the appeal procedure and the payment to Recylex SA of the amount of €1.5 million by way of settlement (see Note 1).

(2) On July 2, 2010, Norzinco SA signed an agreement with the owner of the site in Anzin providing for the early termination, with effect from May 31, 2010, of the commercial lease due to expire on October 1, 2011 (see Notes 6.10 and 10).

Note 5.4. Net interest expense

Interest expense on net debt breaks down as follows:

(in thousands of euros)	*June 30, 2010*	*June 30, 2009*
Interest income from cash and cash equivalents	127	540
Interest expense on bank and non-bank borrowings and bank overdrafts......	(422)	(433)
Net interest expense	**(295)**	**107**

The reduction in interest income from cash and cash equivalents is due to the reduction in cash and lower interest rates on the money market.

Note 5.5. Other financial income and expense

(in thousands of euros)	*June 30, 2010*	*June 30, 2009*
Net foreign exchange gains and losses	388	(75)
Impact of discounting provisions and liabilities	(831)	(1,673)
Factoring costs	(342)	(132)
Other financial income and expense	1,103	(130)
Other financial income and expense	**317**	**(2,010)**

Other financial income and expenses correspond to the reversal of provisions for impairment losses on financial instruments (hedging of trading risks) not qualified as hedging instruments at December 31, 2009 as defined by IAS 39.

Note 5.6. Income tax expense

Income tax expense for the periods ended June 30, 2010 and June 30, 2009 principally comprises the following items:

(in thousands of euros)	*June 30, 2010*	*June 30, 2009*
Current income tax	(1,398)	(345)
Current income tax benefit/(expense)	**(1,398)**	**(345)**
Arising from the creation and reversal of temporary differences	927	(1,098)
Related to tax loss carryforwards	-	(1,960)
Deferred income tax benefit/(expense)..	**927**	**(3,058)**
Consolidated income tax benefit/(expense)...	**(471)**	**(3,403)**

Reconciliation between actual income tax expense and the amount theoretically payable

(in thousands of euros)	*June 30, 2010*	*June 30, 2009*
Net income before tax	6,178	3,511
Group tax rate	33.33%	33.33%
Theoretical income tax expense	**(2,059)**	**(1,170)**
Increase or decrease in income tax expense resulting from:		
- Use and decapitalisation of previous tax loss carried forward	1,855	(2,724)
- Taxes at reduced rates	144	391
- Other permanent differences	(411)	100
Actual tax expense	**(471)**	**(3,403)**

Deferred tax assets and liabilities

(in thousands of euros)	*June 30, 2010*	*Dec 31, 2009*
Deferred tax assets		
Provisions added back for tax purposes	9,295	10,218
Additional provision for employee benefits	1,641	1,670
Additional provision for impairment of non-current assets	1,378	1,458
Other temporary differences	467	419
Tax loss carried forward	3,600	3,600
Offset of deferred tax assets and liabilities at the same taxable entity	(9,319)	(8,859)
Total	**7,062**	**8,506**
Deferred tax liabilities		
Restatement of expected useful life of non-current assets	(5,648)	(5,947)
Change in inventory valuation method at German units	(2,645)	(3,842)
Discounting of provisions and liabilities	(999)	(1,267)
Deferred tax on hedge accounting	(200)	(5)
Other temporary differences	(300)	(222)
Offset of deferred tax assets and liabilities at the same taxable entity	9,319	8,859
Total	**(473)**	**(2,424)**
Net deferred taxes	**6,589**	**6,082**

For the period ended June 30, 2010, 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 carried forward recognised by the Group amounted to €3.6 million at June 30, 2010.

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 were estimated at €167 million at June 30, 2010, i.e.:

- €121 million at French units;
- €46 million at German units.

Note 5.7. 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

(in thousands of euros)	*June 30, 2010*	*June 30, 2009*
Net income attributable to equity holders of the parent	5,579	109
Weighted average number of ordinary shares used to calculate basic earnings per share	23,889,783	23,884,043
Earnings per share (in euros)	**0.234**	**0.005**

(in thousands of euros)	*June 30, 2010*	*June 30, 2009*
Net income attributable to equity holders of the parent	5,579	109
Weighted average number of ordinary shares used to calculate basic earnings per share	23,889,783	23,884,043
Impact of dilution:		
Stock options (with dilutive impact)	703,994	798,764
Weighted average number of ordinary shares adjusted for diluted earnings per share	24,593,777	24,682,807
Diluted earnings per share (in euros)	**0.227**	**0.005**

NOTE 6: NOTES TO THE BALANCE SHEET

Note 6.1. Intangible assets, property, plant & equipment and goodwill

a) Intangible assets, property, plant & equipment and goodwill at June 30, 2010 and December 31, 2009

(in thousands of euros)	*Gross*	*Depreciation and amortisation.*	*Impairment losses*	*Net June 30, 2010*	*Net Dec 31, 2009*
Intangible assets					
Goodwill	792	-	(792)	-	-
Concessions, patents, licences, etc.	8,971	(7,156)	-	1,815	1,857
Other intangible assets					-
Total intangible assets	**9,763**	**(7,156)**	**(792)**	**1,815**	**1,857**
Property, plant and equipment					
Land	5,394	(469)	-	4,925	4,938
Buildings	111,167	(89,195)	-	21,972	24,605
Plant, equipment and tools	213,390	(172,824)	(5,193)	35,374	34,296
Property, plant and equipment in progress	6,027	(94)	-	5,932	5,160
Other	21,734	(17,715)	-	4,019	3,867
Total property, plant and equipment	**357,712**	**(280,297)**	**(5,193)**	**72,222**	**72,866**
Total intangible assets and property, plant and equipment	**367,475**	**(287,453)**	**(5,985)**	**74,037**	**74,723**

b) Change in intangible assets, property, plant & equipment and goodwill between January 1, 2010 and June 30, 2010

(in thousands of euros)	***Net***
Net carrying amount after depreciation and impairment losses at December 31, 2009	**74,723**
Additions	4,183
Depreciation expense for the period	(4,935)
Impairment losses for the period	-
Disposals	(28)
Reversals of depreciation during the period	94
Other	**-**
Net carrying amount after depreciation and impairment losses at June 30, 2010	**74,037**

Note 6.2. Impairment testing

At June 30, 2010, the Group performed impairment tests.

The results of these tests revealed that no additional write downs of the value of the property, plant and equipment of the cash-generating units (CGUs) of the Group were needed, compared to December 31, 2009.

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

The estimated value in use was based on estimated future cash flows that may be generated by the CGU (at the date the test was performed) and the use of a discount rate after tax of 10.17%, calculated using the weighted average cost of capital method. As value in use was lower than fair value less costs to sell, the latter was used as the reference value (recoverable amount).

Provisions for impairment losses relating to the Group's production assets amounted to €5.2 million at June 30, 2010. This concerns the C2P Germany GmbH CGU (€2.6 million) and the Harz-Metall GmbH CGU (Zinc) (€2.6 million).

The net carrying amount at June 30, 2010 and December 31, 2009, after impairment losses, of the relevant production assets breaks down as follows:

June 30, 2010 *(in millions of euros)*	***C2P Germany CGU***	***Harz Metall GmbH Zinc CGU***	***RMO CGU***
Gross value of production assets	5.7	39.5	3.4
Accumulated depreciation	(3.1)	(32.3)	(0.7)
Impairment losses	(2.6)	(2.6)	-
Net value of production assets	**0.0**	**4.6**	**2.7**
Activity	**Plastics**	**Zinc**	**Special metals**

Dec 31, 2009 (in millions of euros)	***C2P Germany CGU***	***Harz Metall GmbH Zinc CGU***	***RMO CGU***
Gross value of production assets	5.7	38.9	3.4
Accumulated depreciation	(3.1)	(32.2)	(0.5)
Impairment losses	(2.6)	(2.6)	-
Net value of production assets	**0.0**	**4.1**	**2.9**
Activity	**Plastics**	**Zinc**	**Special metals**

Note 6.3. Other non-current financial assets

Other non-current financial assets of €5,482 thousand correspond mainly to funds received by Harz-Metall GmbH in the amount of €4.8 million dedicated to the future rehabilitation of certain sites in Germany, the cost of which is subject to a provision for charges.

Note 6.4. Inventories

Inventories held by the Group break down as follows:

(in thousands of euros)	*June 30, 2010*	*Dec 31, 2009*
Raw materials	36,607	18,482
Work in progress	19,600	27,809
Finished and semi-finished goods	14,227	12,310
Sub-total	70,434	58,601
Less: Impairment losses	(3,272)	(751)
Net value of inventories and work in progress	**67,162**	**57,850**

The increase in raw materials corresponds mainly to the increase in lead inventories at the Nordenham plant, built up while the plant was closed for maintenance work in April and May 2010. A provision for impairment losses was booked following the fall in lead prices in June 2010 (see Note 5.2).

Note 6.5. Trade receivables

Trade receivables break down as follows:

(in thousands of euros)	*June 30, 2010*	*Dec 31, 2009*
Trade receivables (1)	42,874	39,124
Less: Impairment losses	(4,990)	(5,469)
Net value of trade receivables	**37,884**	**33,655**

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

The Group believes that the value of trade receivables represents a reasonable estimate of their fair value.

(1) An amount of €630 thousand in discounted receivables not yet due at the balance sheet date was reclassified under trade receivables in accordance with IAS 39 at June 30, 2010. At December 31, 2009, discounted receivables not yet due amounted to €390 thousand.

Note 6.6. Other current assets

Other current assets break down as follows:

(in thousands of euros)	*June 30, 2010*	*Dec 31, 2009*
Advances and downpayments on orders in progress	919	2,567
Social security receivables	791	504
Tax receivables	3,343	3,545
Other receivables	1,105	1,118
Prepaid expenses	480	280
Total other current assets	**6,638**	**8,014**

Note 6.7. Cash and cash equivalents

The Group's cash and cash equivalents include:

(in thousands of euros)	*June 30, 2010*	*Dec 31, 2009*
Cash at bank and in hand	34,881	45,870
Other short-term investments	8,915	7,628
Gross cash on balance sheet	**43,796**	**53,498**
Bank facilities	**(3,000)**	**-**
Total net cash on cash flow statement	**40,796**	**53,498**

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

The reduction in net cash is mainly due to the sharp increase in the working capital requirement, primarily as a result of the increase in raw materials inventories (see Note 6.4), investments (see Note 6.1) and the €3 million payment to former non-managerial employees of Metaleurop Nord SAS (see Note 1 and Note 6.11).

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

At June 30, 2010, the Group had €4,750 thousand of available undrawn credit facilities for which drawdown conditions were satisfied.

Note 6.8. Equity

Share capital and share premiums

The share capital comprised 23,974,982 fully paid-up shares with par value of €2.00 each at June 30, 2010.

At June 30, 2010, the Company owned 73,939 treasury shares, unchanged relative to December 31, 2009. Their average purchase price was €6.81. Treasury shares are deducted from equity.

Ordinary shares in issue and fully paid-up	***Number of shares***	***Share capital (in thousands of euros)***	***Share premiums (in thousands of euros)***
At January 1, 2010	23,959,982	47,920	783
Issuance of shares following exercise of stock options in the first half of 2010	15,000	30	83
At June 30, 2010	**23,974,982**	**47,950**	**866**

The share capital was increased from €47,920 thousand to €47,950 thousand through the issuance of 15,000 new shares between January 1, 2010 and June 30, 2010 following the exercise of stock options.

Stock options and free share allocations

Stock options

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.

In accordance with the authorisation given by the Annual General Meeting of July 28, 2006, Recylex SA's Board of Directors granted stock options at its meeting of September 26, 2008.

The stock options granted may be settled in shares (settlement in equity instruments within the meaning of IFRS 2).

The main characteristics of stock option plans in force in the first half of 2010 are as follows:

Date granted by the Management Board or Board of Directors	***05/03/00***	***09/20/02***	***09/26/08***
Number of options granted	253,900	275,650	540,000
Subscription price	€7.5	€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 or grouping in which it directly or indirectly 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 up to June 30, 2010 break down as follows:

Date of grant	**Number of options outstanding as at Dec 31, 2009**	**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 as at June 30, 2010**	**Strike price (in euros)**	**Plan expiry**
05/03/00	64,900	-	(15,000)	(49,900)	0	7.5	05/02/2010
09/20/02	65,900	-	-	-	65,900	2.21	09/19/2012
09/26/08	535,000	-	-	-	535,000 [1)]	5.7	09/25/2018
Total	**665,800**	**-**	**(15,000)**	**(49,900)**	**600,900**	**5.3**	

[1)] 50% of options will not vest and cannot be exercised until September 26, 2012 and 50% until September 26, 2013.

The Annual General Meeting of May 7, 2010, decided to give the Board of Directors authorisation to grant stock options to employees and/or corporate officers of the Company and affiliated companies. The Company did not introduce any stock option plans during the first half of 2010.

Free share allocations

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.

In accordance with the authorisation given by the aforementioned Annual General Meetings, 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).

The Annual General Meeting of May 7, 2010, decided to give the Board of Directors authorisation to proceed with the free allocation of existing shares to employees and/or corporate officers of the Company and affiliated companies. The Company did not introduce any free share allocation plans during the first half of 2010.

Change in the number of instruments in circulation

Transactions in the first half of 2010 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 Dec 31, 2009	**665,800**	**7.33**	**50,000**	**0.75**	**2.77**
- allotted	-	-	-	-	-
- cancelled/lapsed	(49,900)	-	-	-	-
- exercised	(15,000)	-	-	-	-
Balance at June 30, 2010	**600,900**	**7.59**	**50,000**	**0.24**	**2.28**

Accounting impact of instruments allotted in 2009

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 accounting charge for the first half of 2010 was €92 thousand for stock options and €32 thousand for free shares.

Note 6.9. Interest-bearing borrowings

Analysis of borrowings

Current portion of borrowings and debt	***June 30, 2010 (in thousands of euros)***	***Dec 31, 2009 (in thousands of euros)***
Portion due in less than one year	6,334	3,541
Discounted receivables	630	390
Total	**6,964**	**3,932**

Non-current borrowings and debt	***June 30 2010 (in thousands of euros)***	***December 31 2009 (in thousands of euros)***
Portion due in more than one year	7,875	9,455
Total	**7,875**	**9,455**

The increase in borrowings due in less than one year corresponds to the use of a €3 million credit facility by German subsidiary Recylex GmbH.

Repayment schedule of non-current borrowings

(in thousands of euros)	*June 30, 2010*				*Dec 31, 2009*
	Less than 1 year	*1 to 5 years*	*More than 5 years*	*Total*	
Bank borrowings...	-	7,828	47	7,875	9,455
Interest-bearing borrowings	**-**	**7,828**	**47**	**7,875**	**9,455**

Note 6.10. Provisions

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

	Environmental provisions	*Litigation*	*Restructuring*	*Other*	*Total*
Balance at December 31, 2009	**31,084**	**3,876**	**312**	**1,985**	**37,257**
Additions for the period……………….. ...	60	333	36	124	554
Discounting..	260	97			357
Reversals – used…...............................	(1,244)	(11)	(32)	(445)	(1,732)
Reversals – not used…..………………..				(960)	(960)
Reclassifications………………………...				24	24
Balance at June 30, 2010………………	**30,161**	**4,295**	**316**	**728**	**35,500**
Of which current…………………………...	7,502	518		226	8,246
Of which non-current……………………	22,659	3,777	316	502	27,254

In accordance with IAS 37, these provisions have been discounted.

Use of environmental provisions concerns primarily the rehabilitation of old mines in France and the rehabilitation of the L'Estaque site.

The reversal of provisions in the "Other" category concerns in particular the reversal of provisions booked at December 31, 2009 on the disposal of Norzinco SA's activities (see Notes 5.3 and 10).

The discounting impact of €260 thousand concerning environmental provisions relates to the lower discount rate and the impact of discounting taking account of the shorter maturities schedule.

The discounting impact of €97 thousand concerns the lawsuit against Recylex SA initiated by former employees of Metaleurop Nord SAS. The maturity schedule used is that of the rescheduled liabilities.

Note 6.11. Other current and non-current liabilities

Other current liabilities

(in thousands of euros)	*June 30, 2010*	*Dec 31, 2009*
Liabilities rescheduled under the continuation plan.......................................	3,411	6,293
Tax and social security liabilities	9,302	6,677
Liabilities related to non-current assets...	244	67
Other liabilities..	2,200	2,437
Prepaid income	974	527
Fair value of underlying hedged risk..	-	122
Total	**16,131**	**16,123**

The increase in tax and social security liabilities concerns primarily the increase in value added tax (VAT) to be paid by Weser Metal GmbH as a result of the increase in its sales.

Liabilities rescheduled under the continuation plan:

Nature of current rescheduled liabilities (in thousands of euros)	*June 30, 2010*	*Dec 31, 2009*
Bank borrowings	16	16
Misc. financial liabilities (including accrued interest)	1,379	1,379
Trade payables	113	113
Tax and social security liabilities	94	94
Miscellaneous liabilities	1,839	4,826
Current rescheduled liabilities under the continuation plan prior to discounting	3,441	6,428
Impact of discounting cash flows	(30)	(135)
Current rescheduled liabilities under the continuation plan after discounting	**3,411**	**6,293**

As a reminder, 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.

The reduction in current rescheduled liabilities corresponds to the payment of the first four instalments under the plan (payable from 2006 to 2009), representing around €3 million (see Note 1).

Other non-current liabilities

Other non-current liabilities comprise mainly liabilities rescheduled under the continuation plan:

Nature of non-current rescheduled liabilities (in thousands of euros)	*June 30, 2010*	*Dec 31, 2009*
Subsidised loans	-	-
Bank borrowings	102	102
Miscellaneous financial liabilities (including accrued interest)	9,099	9,099
Trade payables	712	712
Miscellaneous financial liabilities	622	622
Miscellaneous liabilities	12,180	12,180
Non-current rescheduled liabilities under the continuation plan prior to discounting	22,715	22,715
Impact of discounting cash flows	(1,729)	(2,098)
Non-current rescheduled liabilities under the continuation plan after discounting	**20,986**	**20,617**

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.

Note 6.12. Other financial instruments

The Group is exposed to fluctuations in metals prices, particularly lead and zinc (structural risk). 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 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 relating to metals 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[10]:

Most transactions relating 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 the trading risk as much as possible using mainly futures. These derivatives are recognized as fair value hedges if they meet the criteria for hedge accounting.

Where there is no documentation concerning hedge accounting as defined by IAS 39, the derivatives used to hedge trading risks relating to metals are recognised at fair value through profit or loss.

Fair value	***June 30, 2010***			***Dec 31, 2009***
(in thousands of euros)	*Current*	*Non-current*	*Total*	*Total*
Assets				
Derivatives (cash flow hedges)	554	-	554	-
Derivatives (fair value hedges)	-	-	-	122
Fair value of underlying hedged risk	258	-	258	
Derivatives (other)	132	-	132	-
Liabilities				
Derivatives (cash flow hedges)	-	-	-	888
Derivatives (fair value hedges)	258	-	258	-
Fair value of underlying hedged risk	-	-		122
Derivatives (other)	-	-	-	1,184

Depending on the type of risk hedged, the Group treats commodity derivatives either as cash flow hedges or fair value hedges.

On the assets side, "other" derivatives correspond to trading risk hedging transactions not documented in accordance with IAS 39 (unrealised gain of €132 thousand).

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

Fair value hedges

At June 30, 2010, the fair value of derivatives deemed to be fair value hedges was €258 thousand (unrealised loss), offset symmetrically in the income statement by the fair value of the hedged risk (firm commitments arising from sale contracts) in the amount of €258 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 the fair value of these derivatives 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	(234)	6,021
2011	(24)	1,179
Total	**(258)**	**7,200**

Cash flow hedges

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

(in thousands of euros)	**Market value of derivatives by maturity date**	**Nominal**
2010	465	2,250
2011	89	450
Total	**554**	**2,700**

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 June 30, 2010, an unrealised gain of €554 thousand was recognised in equity over the period (unrealised loss of €888 thousand at December 31, 2009).

Changes in hedging reserves are shown in the following table:

(in thousands of euros)	**June 30, 2010**	**Dec 31, 2009**	**Dec 31, 2008**
Amount at January 1…………………………………………………	(888)	2,291	5,334
Amount recycled from equity to income……………………………	888	(2,291)	(5,334)
Amount recognised directly in equity………………………………	554	(888)	2,291
Amount before deferred taxes……………………………………	**554**	**(888)**	**2,291**
Deferred taxes…………………………………………………...........	(162)	258	(667)
Amount net of taxes at the period end…………………………	**392**	**(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**
2010 (trading risk hedges)	132	17,047
2011 (trading risk hedges)	-	-
Total	**132**	**17,047**

NOTE 7: CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET COMMITMENTS

	June 30, 2010 (in thousands of euros)	*Less than 1 year (in thousands of euros)*	*1 to 5 years (in thousands of euros)*	*More than 5 years (in thousands of euros)*
Certain future payments				
On-balance sheet commitments:				
Payments under finance leases………………………	715	277	438	-
Total on-balance sheet commitments…………………………………………	**715**	**277**	**438**	**-**
Off-balance sheet commitments:				
Payments under operating leases……………………	871	543	328	
Investment commitments……………………………..				
Commitments arising from the purchase and sale of currency futures...	-	-	-	-
Other commitments (1)………………………………..	12,680	2,275	10,405	-
Total off-balance sheet commitments……………..	**13,551**	**2,818**	**10,733**	**-**

(1) Other commitments given:

- The pledge of Recylex GmbH shares to the banks was transferred to Glencore following Glencore's purchase of the bank debt on August 4, 2005.
- A piece of land owned by Harz-Metall GmbH was pledged as collateral for a loan arranged by C2P GmbH in a maximum amount of €0.4 million, €0.4 million of which is still outstanding.
- Weser Metall GmbH has granted a mortgage over its land as security for a loan currently amounting to €2.3 million.
- RMO Reinstmetalle Osterwieck GmbH has pledged its inventories, trade receivables and land as collateral for a loan currently amounting to €2.6 million.
- C2P GmbH has pledged its facilities and inventories as collateral for a loan currently amounting to €0.4 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.

NOTE 8: LITIGATION AND CONTINGENT LIABILITIES

No material changes have occurred since the end of 2009.

NOTE 9: RELATED PARTY TRANSACTIONS

(in thousands of euros)	*First-half expenses*		*First-half income*		*Receivables*		*Liabilities*	
	2010	*2009*	*2010*	*2009*	*June 30, 2010*	*Dec 31, 2009*	*June 30, 2010*	*Dec 31, 2009*
Glencore	12,623	4,100	31,488	7,692	3,715	1,437	9,765	9,702
Recytech	5	7	-	1	-	-	3	3
Maturity								
Less than 1 year	-	-	-	-	3,715	1,437	2,190	2,130
1 to 5 years	-	-	-	-	-	-	5,739	5,739
More than 5 years	-	-	-	-	-	-	1,836	1,836

NOTE 10: SUBSEQUENT EVENTS

On July 2, 2010, Norzinco SA signed an agreement with the owner of the plant in Anzin providing for the early termination, with effect from May 31, 2010, of the commercial lease due to expire on October 1, 2011. This event has been included in the condensed consolidated financial statements to June 30, 2010 (Notes 5.3 and 6.10) by a provision release of €0.9 million.

STATUTORY AUDITORS' REVIEW REPORT ON THE HALF-YEARLY CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2010

This is a free translation into English of the statutory auditors' review report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

Following our appointment as statutory auditors by the shareholders' meeting and in accordance with article L.451-1-2 III of the French Monetary and Financial Law ("Code monétaire et financier"), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Recylex S.A. for the six-month period ended June 30, 2010,
- the verification of information contained in the half-yearly management report.

These condensed half-year consolidated financial statements are the responsibility of the Board of Directors in a context described in notes 1 and 2.3 to the condensed half-year consolidated financial statements of very high volatility of the markets, economic and financial crisis characterized by difficulties to apprehend future perspectives that already prevailed for December 31, 2009 year-end closing. Our role is to express a conclusion on these financial statements based on our review.

I. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared in all material respects in accordance with IAS 34 - the standard of the IFRS as adopted by the European Union applicable to interim financial statements.

Without qualifying the conclusion expressed above, we draw attention to the uncertainty set out in note 1 to the condensed half-year consolidated financial statements concerning the lawsuit, brought by the liquidators of Metaleurop Nord SAS claiming the repayment by Recylex SA of €50 million of Metaleurop Nord SAS' liabilities. This lawsuit 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 status of this lawsuit at the date of the condensed half-year consolidated financial statements, the company did not deem it necessary to set aside any provisions in the condensed half-year consolidated financial statements as at June 30, 2010.

Should the outcome of both lawsuits be unfavourable to Recylex, execution of the continuation plan could be questioned.

II. Specific verification

We have also verified information given in the half-yearly management report the condensed half-yearly consolidated financial statements subject to our review. Except for the effects, if any, of the matters described above, we have no other matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Paris La Défense and Neuilly-sur-Seine, August 30, 2010

KPMG Audit *Department of KPMG S.A.*	Deloitte & Associés
Catherine Porta *Partner*	Frédéric Neige *Partner*

STATEMENT BY THE PERSON RESPONSIBLE FOR THE 2010 INTERIM FINANCIAL REPORT

I hereby declare that, having taken all reasonable care to ensure that such is the case, the condensed financial statements for the first half of the year 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 half-yearly business review gives a true and fair view of the significant events that occurred in the first six months of the year and their impact on the financial statements, the main transactions between related parties and the main risks and uncertainties for the remaining six months of the year.

Yves Roche

Chairman and Chief Executive Officer

This 2010 Interim Financial Report is a free translation of the official *Rapport Financier Semestriel 2010* issued in French language and is for information purposes only. In case of any discrepancy between this 2010 Interim Financial Report and the *Rapport Financier Semestriel 2010*, the *Rapport Financier Semestriel 2010* will prevail.