

26 October 2020 – 9.30 pm

## Press release

### 2019 Annual results

Recylex S.A. (Euronext Paris: FR0000120388 - RX) publishes today its consolidated annual financial results for the full year 2019, as approved by the Board of Directors at its meeting of October 22, 2020. For more details, the 2019 Annual Financial Report, filed today with the *Autorité des Marchés Financiers*, can be consulted on the company's website [www.recylex.eu](http://www.recylex.eu) (Finance - Publications section).

#### 1. Context of the closing of the 2019 annual accounts

As for the 2018 consolidated and parent company financial statements, the preparation of the 2019 financial statements was characterized by the uncertainties which are still surrounding the company's going concern and the implementation of the assumptions underlying its financial plan, which were used to prepare the 2019 consolidated and parent company financial <sup>1</sup>. Recylex S.A.'s ability to continue as a going concern depends on the fulfillment of several structuring assumptions<sup>3</sup> relating not only to the continuation of business with Weser-Metall GmbH, the restructuring of Recylex S.A.'s financial and non-financial debt, but also to the sale of non-operating assets.

As the Statutory Auditors are neither in a position to assess the realisation or not of the assumptions and elements used, nor to assess the outcome of the actions currently underway to structure Recylex S.A.'s financial planning, in accordance with their professional standards, they formulated an impossibility to certify the 2019 consolidated and parent company financial statements due to a number of uncertainties relating to the going concern assumption. Recylex S.A. specifies, however, that this is not a refusal to certify.

As a reminder<sup>2</sup>, following the filing for insolvency under German law on May 15, 2020 by all of the companies that made up its German sub-group, Recylex S.A. has definitely lost control of these entities, resulting in the deconsolidation of the entire German perimeter in 2020. This event has therefore been treated as a post-closing event for the purposes of preparing the 2019 consolidated financial statements.

The trading of the Recylex's shares remains suspended until the company is in a position to

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communicate reliably on its going concern outlook.

## 2. Financial information as of December 31, 2019

As part of the restructuring of the German sub-group's debt, in 2019 the Group initiated the sale of PPM Pure-Metal GmbH and Norzinco GmbH. In application of IFRS 5, the financial data related to these companies are presented separately under "discontinued operations"<sup>4</sup> in the 2019 consolidated financial statements.

However, in order to ensure the comparison of financial data as of December 31, 2019 with those as of December 31, 2018, the 2018 financial data below "As of 12/31/2018 restated IFRS 5" are also presented in accordance with IFRS 5.

In addition, in order to enable an assessment of the 2019 consolidated figures in the context of the Group's new scope of consolidation<sup>2</sup> following the implementation of insolvency procedures and the loss of control of the German entities in May 2020, several key aggregates of the Recylex Group's 2019 financial information have been presented on a "Pro Forma" basis, excluding these entities.

### Consolidated financial data :

€ million	At December 31, 2019	At December 31, 2019 restated IFRS 5	Change restated IFRS 2019	At December 31, 2019 Pro forma
Sales (IFRS)	237.4	283.4	-46.0	72.8
EBITDA <sup>5</sup>	(26.6)	(12.8)	-13.8	(0.6)
Restated <sup>6</sup> EBITDA <sup>5</sup>	(15.8)	2.7	-18.5	10.4
Operating income/(loss) before non-recurring items (IFRS)	(38.5)	(20.0)	-18.5	(2.4)
Restated <sup>6</sup> Operating income/(loss) before non-recurring items	(28.5)	(5.4)	-23.1	7.6
Result from discontinued operation	(15.4)	(0.04)	-15.3	-
Net result (IFRS)	(84.3)	(78.7)	-5.6	(2.5)

€ million	At December 31, 2019	At December 31, 2018	Change	At December 31, 2019 Pro forma
Cash and cash equivalents	9.1	6.4	+2.7	5.2
Net cash and cash equivalents <sup>7</sup>	(5.9)	(7.4)	+1.5	5.2
Shareholders' equity	(168.7)	(79.7)	-89.0	-
Net debt	174.5	117.5	+57.0	47.7

The Current Operating Result in 2019 shows a loss of €38.5 million compared to a current operating loss of €20.0 million in the previous year. This deterioration in the Group's current operating financial performance is mainly explained by:

- The decrease in the Lead Segment's Current Operating Income, with a loss of €29.4 million compared to a current operating loss of €24.3 million in 2018. In a context of declining Lead prices in Euros and stagnating commercial conditions, this deterioration in operating performance is mainly explained by:
  - An increase in variable and fixed costs following the start-up of the reduction furnace,
  - Availability and feeding rates of the main furnace still below the objectives and historical technical performance (before connection with the reduction furnace) despite a significant improvement at the end of the year following the investments made during the maintenance shutdown in November 2019,
  - The sharp decline in volumes in the used lead-acid batteries recycling activity, which impacted the Current Operating Income;
- The sharp decrease in the Zinc Segment's income from recurring operations, which amounted to €2.9 million compared to €12.2 million in 2018, reflecting the segment's high sensitivity to the fall in the zinc price over the year (-8%) and the sharp deterioration in commercial conditions compared to the previous year in the dust recycling activity.;
- The decline in Current Operating Income of the Plastics Segment to -€1.0 million compared to -€0.7 million in 2018.

The Net Profit for fiscal year 2019 shows a net loss of €84.3 million, which is mainly due to the following items:

- A current operating loss of €38.5 million;

- A negative balance of other operating income and expenses of €23.2 million following an asset impairment of €22.7 million, of which €11.9 million for Weser-Metall GmbH and €5.9 million for Harz-Metall GmbH;
- the share of income from equity affiliates for €6.7 million;
- A net financial expense of €14.0 million compared to a charge of €10.9 million in 2018, which is composed of:
  - Interest expense of €12.2 million, an increase of €2.2 million compared to 2018 due to the increase in financial debt;
  - An expense of €1.8 million for other financial income and expenses, mainly factoring costs of €0.9 million and a net currency loss of €0.3 million;
- The result of discontinued operations represents a loss of €15.4 million and corresponds to the net result of the entities Norzinco GmbH and PPM Pure-Metal GmbH, classified as discontinued operations in accordance with IFRS 5.

### 3. Key events in 2019

On February 13, 2020, Recylex S.A. published its press release for the full-year 2019 Sales.

In a context of sharply deteriorated financial performance, the German sub-group was unable to achieve its financial target as of December 31, 2018, as defined in the financing agreement from December 2016 and revised in September 2018, nor was it able to meet the repayment due date as of December 31, 2018, and on several occasions in 2018 requested its financial partners to waive the latter's termination rights ("waiver").

Throughout 2019 and early 2020, the Group continued discussions with its financial partners to restructure the debt of the German sub-group<sup>8</sup>. The main developments are detailed in notes 1 and 39 to the 2019 consolidated financial statements, which present the changes in the financial position of the German sub-group as well as events subsequent to the December 31, 2019 closing, including the opening of insolvency proceedings for the Group's German subsidiaries in May 2020.

## 4. Results by segment as of December 31, 2019

### 4.1 Evolution of metal prices in Euros as of December 31, 2019

€ per tonne	Average 2019	Average 2018	Change (%)
Lead price	1,787	1,895	-6%
Zinc price	2,274	2,468	-8%
€/ \$ exchange rate	1.1195	1.1810	-5%

Source : London Metal Exchange.

### 4.2 Results by segment as of December 31, 2019

Lead segment (83% of 2019 sales)

€ million	Year to December 31, 2019	Year to December 31, 2018	Change	Pro Forma at December 31, 2019
Consolidated sales	195.9	236.2	-40.3	61.6
Operating income/(loss) before non-recurring items (IFRS)	(29.4)	(24.3)	-5.1	1.3
Restated <sup>6</sup> Operating income/(loss) before non-recurring items	(29.5)	(24.1)	-5.4	1.3

In 2019, lead production came to 105,300 tonnes compared to 104,600 tonnes in 2018, a very small increase of 0.7% compared to 2018 against the backdrop of a reduction in lead-acid battery purchases throughout 2019. The Group recycled 102,700 tonnes of used lead-acid batteries in 2019, down close to 9% compared to 112,900 tonnes in 2018.

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As a reminder, the main furnace (BSF) was stopped on December 29, 2018 after advanced wear and tear was observed in the refractory bricks owing to operational changes following on from the connection with the new reduction furnace and the associated technical difficulties. Decision was made to partially bring forward to January 2019 the major scheduled maintenance shutdown initially planned for the end of the second quarter of 2019. Lead production at the Weser-Metall GmbH smelter's two combined furnaces resumed on January 22, 2019. Throughout the first three quarters of 2019, the availability and the feeding rates of the existing main furnace, lagged below the target levels and past technical performance levels (prior to the connection of the reduction furnace). In November 2019, an 11-day shutdown was carried out to repair certain parts of the refractory and to implement technical improvements. As a result, the technical performance of the main furnace improved significantly in December 2019 and beginning of 2020.

In 2019, the Lead segment recorded an operating loss before non-recurring items of €29.4 million, compared to an operating loss before non-recurring items of €24.3 million in 2018:

- Amid the decline in the lead prices, flat commercial conditions as well as higher fixed and variable costs following the start into production of the reduction furnace and the maintenance operations on the existing furnace, the Nordenham smelter recorded a heavy operating loss before non-recurring items of around €29.8 million.
- The decline in volumes in the used lead-acid battery recycling activity resulted in a current operating income close to breakeven (at € 0.4 million), down from its 2018 level (profit of € 3.9 million).

Given the less favorable outlook than initially anticipated in this segment, the Group proceeded to an additional asset impairment of €17.4 million.

*Zinc segment (10% of 2019 sales)*

€ million	Year to December 31, 2019	Year to December 31, 2018 restated IFRS 5	Change restated IFRS 5	Pro Forma at December 31, 2019
Consolidated sales	23.6	30.0	-6.4	NA
Restated <sup>6</sup> consolidated sales	44.2	55.3	-11.1	20.6
Operating income/(loss) before non-recurring items (IFRS)	2.9	12.2	-9.3	NA
Restated <sup>6</sup> Operating income/(loss) before non- recurring items	12.9	26.6	-13.7	10.0

With 172,400 tonnes of dust processed (compared with 180,500 tonnes in 2018), the Group's total Waelz oxide production (Harz Metall GmbH and Recytech) amounted to 73,030 tonnes at December 31, 2019, down only 2% compared with 2018 despite an unfavorable basis for comparison (Harz-Metall GmbH having carried out a major scheduled maintenance shutdown in 2019, compared with no shutdown in 2018).

Current Operating Profit from recurring operations for this segment was €2.9 million compared with €12.2 million for the restated 2018 financial year (restated IFRS 5). The Zinc segment's economic performance deteriorated compared to 2018, due to the decline in the zinc price, the high sensitivity of its results to the zinc price in the dust recycling business, and sharply deteriorated trading conditions.

Norzinco GmbH's zinc oxide production reached 22,000 tonnes at December 31, 2019, down 10%, mainly due to the failure of a major customer and higher maintenance operations than in 2018. Impacted by lower volumes and higher fixed and variable costs, Norzinco GmbH's result is no longer

included in the Zinc segment's profit from recurring operations and is now part of the "result from discontinued operations" aggregate in application of IFRS 5.

### *Special Metals segment*

The Special Metals segment's sales are no longer included in the Group's consolidated sales following application of IFRS 5 and the classification of the activity as a discontinued operation (see paragraph 2). The sales are now reflected under "Results from discontinued operations"<sup>4</sup>.

They totaled €16.4 million in 2019, compared to €19.2 million in 2018. Notwithstanding an encouraging performance in the first quarter of 2019, there was a sharp slowdown in demand for several metals during the following quarters. This chiefly applied to arsenic and germanium, which are the segment's leading contributors.

The segment's operating loss before non-recurring items came to €4.7 million in 2019, compared to a positive result of €0.2 million in 2018. Being classified as a discontinued operation in accordance with IFRS 5, this result is no longer included in the Group's profit from recurring operations. It is now part of the "income from discontinued operations" aggregate.

### *Plastic segment (5% of 2019 sales)*

€ million	Year to December 31, 2019	Year to December 31, 2018	Change	Pro Forma at December 31, 2019
Consolidated sales	12.1	12.9	-0.8	11.2
Operating income/(loss) before non-recurring items (IFRS)	(1.0)	(0.7)	-0.3	(0.4)

The segment's 2019 sales came to €12.1 million, down 6% on 2018. Recycled polypropylene production amounted to 12,500 tonnes, stable compared to 2018.

Business was again severely affected by the reduced competitiveness of recycled materials compared to virgin polypropylene and by weak demand from the automotive sector.

As a result, the segment's operating loss before non-recurring items came to €1.0 million in 2019, compared to a loss of €0.7 million in 2018.

## 5. Cash flow and financial structure

Cash flow generated by the Group's operating activities before non-recurring items became negative at of €29.6 million compared to a positive inflow of €4.3 million in 2018. This sharp deterioration was caused mainly by:

- the significant decrease in EBITDA generated in the Zinc (-€13.0 million) and Special Metals segments (-€4.1 million)
- and the increase in costs related to the financial restructuring of the German perimeter (€2.3 million).

Cash flow from operating activities were negative at €27.9 million in 2019 compared to a positive cash flow of €7.1 million in 2018. In addition to the aforementioned negative cash flow from operating activities, this deficit also includes:

- dividends from associates to €9.3 million (€1.1 million decline);
- €5.0 million in site rehabilitation costs, chiefly from the ongoing remediation work at the L'Estaque site;
- payments of €1.4 million to the European Commission under the staggered payment plan for the fine handed down on February 8, 2017;

Cash flow from investing activities represented an outflow of €15.9 million in 2019, compared to €25.1 million in 2018 owing chiefly to:

- €7.9 million in capital expenditures at the Nordenham lead smelter related to the improvement of the smelter's new configuration;
- €2.5 million in capital expenditures devoted to the regenerative thermal oxidation (RTO) filtering installations at Harz Metall GmbH (zinc) and €1.0 million in capital expenditures in the facility's infrastructure;
- €1.5 million in capital expenditures at PPM GmbH, chiefly in arsenic operations;
- €1.4 million in capital expenditures by Recylex SA in replacing equipment at the battery recycling facilities.

Cash flow from financing activities came to €45.5 million in 2019, up from €20.1 million in 2018, and comprises:

- A financing obtained from Glencore International AG for a total amount of €57.5 million with a bridge financing of €40.7 million and an additional loan of €16.8 million,
- The payment of financial interest to banks and Glencore international AG in the amount of €10.8 million as part of the financing of the German scope of consolidation in 2016.

Taking all these items into account, the Group's net cash position totaled negative €5.9 million at December 31, 2019 compared to negative €7.4 million at December 31, 2018.

The Group's gross cash position rose slightly to €9.1 million at December 31, 2019 from €6.4 million at December 31, 2018. At December 31, 2019, the Group had used all the available credit lines, that is a total of €15.0 million (vs. €13.8 million at December 31, 2018).

The Group's net debt totaled €174.5 million at December 31, 2019, compared to €117.5 million at December 31, 2018. This increase chiefly derives from:

- The use of €40.7 million in bridge financing arranged with Glencore International AG in February 2019. Initially, this bridge financing amounted to €10 million, but was increased firstly to €27.0 million between April and June 2019 and then to €40.7 million in November and December 2019.
- The use of an additional €16.8 million loan arranged in July 2019 from Glencore International AG

Consolidated shareholders' equity at December 31, 2019 was -€168.7 million compared to -€79.7 million euros at December 31, 2018. This deterioration in shareholders' equity is mainly explained by the net loss for the year 2019 of €84.3 million euros and by actuarial gains and losses on pension obligations recognized in shareholders' equity during the year of around €4.7 million.

## 6. Update on the ongoing legal procedures concerning Recylex S.A.<sup>3</sup>

The document summarizing the procedures concerning Metaleurop Nord S.A.S. and Recylex S.A., updated on October 26, 2020, is available on [the Finance section of the Recylex Group website](#).

## 7. Provisional financial agenda

The Shareholders' Meeting called to approve the 2019 annual and consolidated financial statements will be held on December 16, 2020, in accordance with the terms and conditions that will be specified at a later date depending on the restrictions still in force in connection with the SARS-CoV-2 pandemic.

Next publication: Financial information at September 30, 2020, Thursday, November 5, 2020 (after market close).

*1 The closing and publication of the 2019 consolidated and parent company financial statements had been postponed until now due to uncertainty as to the Group's ability to continue as a going concern in the context of discussions with the financial partners of the German sub-group with a view to restructuring the debt related to the December 2016 financing. These discussions ended in May 2020 with the implementation of insolvency proceedings for the German entities. See 2 below.*

*2 See press releases May 14, 2020 and May 20, 2020. The main impacts for Recylex S.A. of the opening of the insolvency proceedings at the level of the German subgroup entities, as identified as of May 14, 2020, were described in Recylex's press release of May 14, 2020.*

*3 See in particular the press release of September 23, 2020. These assumptions and factors are detailed in note 39 of the notes to the 2019 consolidated financial statements and in the "Subsequent events" note to the 2019 parent company financial statements.*

*4 These entities have been classified as discontinued operations within the meaning of the IFRS standard, resulting in the classification, at the close of fiscal year 2019, of the related assets and liabilities on separate balance sheet lines "related assets/liabilities held for sale" and the presentation of the results of these operations on a separate line of the consolidated financial statements " Results from discontinued operations". See note 40 of the notes to the consolidated financial statements for the year ended December 31, 2019.*

*5 Current operating income before depreciation, amortization, provisions and impairment losses (non-IFRS indicator).*

*6 To assess the performance of the Lead segment, the Group uses the LIFO or "Last In First Out" method (not allowed under IFRS) in its internal reporting to measure inventories at the Nordenham lead smelter. To assess the performance of the Zinc segment, the Group also discloses restated financial data including the share of Recytech S.A. (50% interest), proportionally consolidated, although this method is not allowed under IFRS. See Note 19 to the 2019 consolidated financial statements.*

*7 Net cash of credit lines used.*

*8 See press releases dated December 5, 2018, March 26, 2019, June 17, 2019, July 15, 2019, October 28, 2019, November 7, 2019, November 27, 2019, December 20, 2019, February 21, 2020, March 19, 2020, April 30, 2020, May 7, 2020, May 14, 2020 and May 20, 2020.*

**Disclaimer:** *This press release may contain forward-looking statements that constitute either trends or objectives and should not be construed as forecasts of results or any other performance indicator. This information is by its nature subject to risks and uncertainties, as described in the Company's Annual Report available on its website ([www.recylex.fr](http://www.recylex.fr)). More detailed information on Recylex can be found on its website ([www.recylex.eu](http://www.recylex.eu)). In this press release, unless otherwise indicated, all changes are expressed on an annual basis (2018/2017). This press release is a non-official translation into English of the press release of the same date issued in French language and is provided solely for the convenience of English-speaking users. This press release should be read in conjunction with and construed in accordance with French law.*

## APPENDICE

2018 consolidated financial figures and IFRS 5 impact:

<i>in millions of euros</i>	Year to December 31, 2018 reported	IFRS 5 impact	Year to December 31, 2018 restated IFRS 5
Sales (IFRS)	364,6	-81,2	283,4
EBITDA <sup>5</sup>	-12,1	-0,8	-12,8
Restated EBITDA <sup>5</sup>	3,5	-0,8	2,7
Current Operating Income (IFRS)	-20,5	0,5	-20
Restated Current Operating Income <sup>6</sup>	-5,9	0,5	-5,4
Result from discontinued operations	-	-0,04	-0,04
Net income (IFRS)	-78,7	0	-78,7

## Raw materials from urban mines

The Recylex Group is a European specialist in the recycling of lead, zinc and polypropylene. For more information about the Recylex Group: [www.recylex.eu](http://www.recylex.eu)