

28 April 2021

Press release

2020 Annual results

Recylex S.A. (Euronext Paris: FR0000120388 - RX) publishes today its consolidated annual financial results for the full year 2020, as approved by the Board of Directors at its meeting of April 22, 2021. For more details, the 2020 Annual Financial Report, filed today with the Autorité des Marchés Financiers, can be consulted on the company's website www.recylex.eu (Finance - [Publications](#) section).

1. Context of the closing of the 2020 annual accounts

As for the 2018 and 2019 consolidated and annual financial statements, the preparation of the 2020 financial statements is characterized by significant uncertainties that weight on the company's ability to continue as a going concern.

Thus, Recylex S.A.'s ability to continue as a going concern remains subject to:

- The outcome of the ongoing discussions with the creditors Glencore International AG and the European Commission concerning the restructuring of the Company's debt. This debt, which amounts to €51.1 million, is no longer compatible with the Group's capacity to generate cash in its new configuration. Recylex S.A. has therefore asked its creditors to adapt the amount and maturity of this debt to the repayment capacity of the Group's remaining activities. In this context, the Group is also studying the feasibility of a disposal of certain assets and/or activities;
- The continued commercial activity with Weser-Metall GmbH, a company that is no longer part of the Group and is subject to insolvency proceedings in Germany. Weser-Metall GmbH, whose assets are currently being sold by the German insolvency authorities, remains today Recylex S.A.'s almost sole client;
- The adjustment of expenses related to the obligation to rehabilitate former mining sites and the discontinued Estaque site to Recylex S.A.'s cash flow generation capacity.

As a reminder¹, following the confirmation of the filings for insolvency proceedings on May 15, 2020 under the German law at the level of the German subgroup, Recylex S.A. definitively and irreversibly lost control of these entities. This resulted in the deconsolidation of the entire German scope of

consolidation. The accounting effects of this deconsolidation are included in the consolidated financial statements for the year ended in December 31, 2020.

As the insolvency proceedings at the level of the German subgroup entities constituted an event that rendered the Glencore International AG loan payable at any time, Recylex S.A. obtained a third temporary waiver of the maturity of the debt, which can be extended, subject to conditions, until January 31, 2022.

Given the inability to assess the relevance of the assumptions² and factors that led the Board of Directors to approve the 2020 financial statements on a going concern basis, the Statutory Auditors have, in accordance with their professional standards, expressed the impossibility to certify the 2020 consolidated and annual financial statements due to a number of uncertainties related to the going concern assumption. However, Recylex S.A. specifies that this does not constitute a refusal to certify.

At the balance sheet date, Recylex S.A. is actively working with its advisors to restructure the Group's financial and non-financial debt and is studying the feasibility of disposing of certain assets and/or activities in order to restructure the debt and ensure the continuity of the remaining operations. The financial outlook is based on a favorable outcome to discussions with Recylex S.A.'s creditors regarding the adaptation of the amount and maturity of existing debt to the Group's future cash generation capacity. These discussions are currently underway. The outcome of these discussions is uncertain, and if no agreement is reached with the creditors, then the consequences in terms of the payability of debts would lead Recylex S.A. to declare suspension of payments at the current state of its cash flow forecasts.

For this reason, the listing of the share remains suspended.

2. Key events in 2020

The economic effects of the SARS-CoV-2 pandemic have impacted the activities of the German subgroup entities, which have filed for insolvency proceedings on May 14, 2020¹.

Following Recylex S.A.'s loss of control over the German subgroup entities, the consolidation criteria set out in IFRS 10 were no longer met. Recylex S.A. therefore deconsolidated all the German subgroup entities subject to insolvency proceedings³ with effect from May 14, 2020.

As a result, the Recylex Group, from that point onwards, has been reduced to the following activities:

- Lead segment: Recylex S.A.'s used lead-acid battery recycling business (Villefranche-sur-Saône and Escaudoeuvres plants);
- Plastics segment: C2P S.A.S.'s polypropylene waste recycling business;
- Other activities: Recylex S.A.'s holding activities, including the equity method accounting for the 50% stake in Recytech S.A.

The filings for insolvency proceedings by the German subgroup entities has had a significant impact on Recylex S.A, mainly in terms of the repayment-date of the existing debt and the reduction in cash inflows from the German subgroup entities compared with the cash flow forecasts previously drawn up.

This led Recylex S.A. to:

- Request and obtain from Glencore International AG a waiver of its right to demand the immediate repayment of the loan of €16 million. At the balance sheet date, Recylex S.A. was granted a waiver from Glencore International AG of its right to declare the loan immediately due and payable until 31 January 2022 at the latest. The termination date of this suspension of rights may, however, be extended by Glencore International AG if Recylex S.A. does not meet the conditions precedent to the suspension of rights being granted, namely the continued supply of Weser-Metall GmbH with secondary materials by Recylex S.A. or the successful continuation of the restructuring process of Recylex S.A.'s financial and non-financial debt;
- Temporarily suspend, as of September 2020, the payment of the fine imposed by the European Commission according to the payment plan agreed in 2017;
- Engage in discussions with its creditors, namely Glencore International AG and the European Commission, in order to adapt the amount and maturity of its debts to the Group's current and future cash-generating capacity within a now very limited scope of activities;
- Suspend the rehabilitation works at the Estaque site until December 31, 2021 and postpone, in agreement with the competent authorities, the completion date of these works to December 31, 2024, in view of the Company's current cash generation capacity;
- Establish, based on the new scope of its activities, a new short- and medium-term financial outlook that would ensure the financial stability of Recylex S.A. and, consequently, of the Group as a whole, the main assumptions of which are described below ("7. Outlook").

In this context, the Group is studying the feasibility of the disposal of certain assets and/or activities in order to restructure the debt while allowing the remaining operations to continue.

3. Financial information as of December 31, 2020

In view of the above, the consolidated income statement as of December 31, 2020 includes only four months of activity for the German subgroup entities, compared to twelve months of activity for the period ended in December 31, 2019, making it difficult to compare one period with the other.

In order to allow a better assessment of the 2020 consolidated financial information in the context of the Group's new scope of consolidation³, the Group presents hereafter certain key aggregates for the 2020 financial information on the basis of the new scope of consolidation, i.e. excluding in full the entities of the German subgroup which were deconsolidated in the first half of 2020.

Consolidated financial information at December 31, 2020:

€ million	At 31/12/2020	At 31/12/2019	At 31/12/2020 New scope of consolidation	At 31/12/2019 New scope of consolidation	Change New scope of consolidation
Sales (IFRS)	113.9	237.4	58.1	72.8	-14.7
EBITDA ⁴	(15.3)	(26.6)	(4.8)	(0.6)	-4.2
Operating income/(loss) before non- recurring items (IFRS)	(25.6)	(38.5)	(12.1)	(2.4)	-9.7
Result from discontinued operations	(2.3)	(15.4)	-	-	-
Net result (IFRS)	126.8	(84.3)	145.7	(2.5)	148.2
Cash and cash equivalents	6.5	9.1	6.5	5.2	+1.3
Net cash and cash equivalents ⁵	6.5	(5.9)	6.5	5.2	+1.3
Shareholders' equity	(40.0)	(168.7)	(40.0)	(26.9)	-13.1
Net debt	45.8	176.9	45.8	46.4	-0.6

Consolidated sales in 2020 amounted to €113.9 million, including €70.9 million in sales for the German subgroup entities in the first four months of 2020.

Consolidated sales under the new scope of consolidation amounted to €58.1 million in 2020, compared with €72.8 million in 2019.

This decrease is explained by the decline in the performance of the lead segment impacted by lower volumes sold of secondary materials by the two used lead-acid battery recycling plants in France (Villefranche-sur-Saône and Escaudoeuvres) coupled with the decline in the price of lead, but also by a sharp reduction in sales in the plastics segment in an economic context marked by the effects of the SARS-CoV-2 pandemic.

The consolidated operating result before non-recurring items for 2020 was a loss of €25.6 million, including a loss of €13.5 million for the entities of the German subgroup in the first four months of the year 2020.

The operating loss before non-recurring items under the new scope was of €12.1 million in 2020 compared to a loss of €2.4 million in 2019. This sharp deterioration in the operating income/(loss) before non-recurring items is due in particular to:

- A deterioration in the financial performance of the lead segment in a context of insufficient volumes produced and unfavorable market conditions leading to a decrease in the segment's EBITDA of €3.4 million;
- The depreciation of trade receivables from the German subgroup entities in the amount of €5.2 million;
- The greater weight of the holding company's structural costs, which are no longer shared with the German subgroup entities (€1.7 million);
- These negative effects were slightly offset by an improvement in operating income before non-recurring items for the plastics segment (+€0.5 million).

Result from discontinued operations was a loss of €2.3 million and consisted of the results of Norzinco GmbH and PPM Pure Metal GmbH in the first four months of 2020.

Results from companies accounted for by the equity method (50% stake in Recytech S.A.) amounted to a profit of €2.9, down by -€3.8 million in 2019, particularly due to the sharp fall in zinc prices in 2020.

The Group recorded a positive net result of €126.8 million at December 31, 2020, compared with a loss of €84.3 million euros for the same period in 2019. This result is strongly impacted by the

technical effect of the deconsolidation of the German subgroup entities, which generated a deconsolidation result of €159.4 million. This impact, which does not result in a cash inflow, is recognized within Other Operating Income/ Expenses and reflects the negative consolidated contribution of the German subgroup entities to the Group's net result in connection with the accumulated losses and asset impairments previously recognized.

4. Results by segment as of December 31, 2020

4.1 Evolution of metal prices in Euros as of December 31, 2020

€ per tonne	Average 2020	Average 2019	Change (%)
Lead price	1,598	1,787	-11%
Zinc price	1,979	2,274	-13%
€/ \$ exchange rate	1.1412	1.1195	2%

Source: London Metal Exchange.

4.2 Results by segment as of December 31, 2020

Lead segment

€ millions	At 31/12/2020	At 31/12/2019	At 31/12/2020 New scope of consolidation	At 31/12/2019 New scope of consolidation	Change New scope of consolidation
Sales (IFRS)	98.9	195.9	48.7	61.6	-12,9
Operating income/(loss) before non- recurring items (IFRS)	(14.5)	(29.4)	(6.9)	1.3	-8,2

In 2020, sales in the lead segment accounted for 83% of sales under the new scope of consolidation. As of December 31, 2020, it amounted to €48.7 million (new scope, down 21% compared to 2019). Due to health measures and the economic downturn in connection with the SARS-CoV-2 pandemic, operations at the Group's two used lead-acid battery recycling plants in France (Recylex S.A.) were

shut down almost entirely between April and May 2020, with "short-time" measures for the employees. Battery recycling activity gradually resumed in the second half of 2020.

Against this backdrop, Recylex S.A. recycled around 61,000 tonnes of used lead-acid batteries during 2020, a volume that was almost stable compared with 2019, a year marked by technical difficulties at the level of the lead smelter, but lower than the volume seen in 2018 of 71,300 tonnes.

Recylex S.A. continues to supply secondary materials to Weser-Metall GmbH, with a prepayment system in view of the ongoing insolvency proceedings for this company.

The outlook for the used lead-acid battery processing business - now the Group's core business - will depend heavily on the continued operation of Weser-Metall GmbH and the continued supply of secondary materials to Weser-Metall GmbH's smelter by Recylex S.A. Weser-Metall GmbH - which represents the Company's quasi-unique client to date - is now a company outside the Recylex Group, under insolvency proceedings. A disposal project of Weser-Metall GmbH's assets is currently underway by the German Insolvency Administration.

While the objective remains to remain a key supplier to Weser-Metall GmbH in the future, subject to the progress of the sale process and the future business model of Weser-Metall GmbH, Recylex S.A. is actively pursuing its search for other commercial outlets for its recycled products.

Over the financial year 2020, the drop in the price of lead, coupled with the deterioration in commercial conditions for sales and the increase in the price of used lead-acid batteries on purchase weighed heavily on the margin of this segment.

In addition, the results of the lead segment include the full write-down of the trade receivables held against Weser-Metall GmbH at the time of its insolvency proceedings, i.e. an amount of €4.8 million.

As a result, the lead segment recorded an operating loss before non-recurring items of €6.9 million in 2020, compared with a positive result of €1.3 million in 2019 (new scope of consolidation).

It should be noted that following the deconsolidation of Weser-Metall GmbH and Harz-Metall GmbH, the lead segment now consists solely of Recylex S.A.'s operations in France.

Zinc segment

€ millions	At 31/12/2020	At 31/12/2019	At 31/12/2020 New scope of consolidation	At 31/12/2019 New scope of consolidation	Change New scope of consolidation
Sales (IFRS)	6.2	23.6	-	-	-
Operating income/(loss) before non- recurring items (IFRS)	(3.4)	2.9	-	-	-

Consolidated sales in 2020 for this segment correspond to the sales of the electric arc furnace dust recycling business operated by Harz-Metall GmbH, while the secondary zinc recycling business operated by Norzinco GmbH is presented under Result from discontinued operations (IFRS 5).

The segment's sales amounted to €6.2 million in 2020, i.e. until the date of deconsolidation of Harz-Metall GmbH in May 2020. The segment reported an operating loss before non-recurring items of €3.4 million in 2020.

Following the deconsolidation of the German entities Norzinco GmbH and Harz-Metall GmbH, the zinc segment no longer exists in the new scope of the Recylex Group's activities.

The 50% stake held in the Recytech S.A. joint venture is accounted for by the equity method in the Group's consolidated financial statements in accordance with IFRS.

Special metals segment

Sales of the special metals segment are no longer included in the Group's consolidated sales following the application of IFRS 5 and this activity is now classified as "discontinued operations".

Sales and operating income/ (loss) before non-recurring items are part of the aggregate "Result from discontinued operations", amounting to €5.5 million and -€1.1 million respectively for the first four months of 2020.

In addition, following the deconsolidation of PPM Pure Metal GmbH in May 2020, the special metals segment no longer exists in the new scope of the Recylex Group's activities.

Plastic segment

€ millions	At 31/12/2020	At 31/12/2019	At 31/12/2020 New scope of consolidation	At 31/12/2019 New scope of consolidation	Change New scope of consolidation
Consolidated sales	8.7	12.1	8.7	11.2	-2.5
Operating income/(loss) before non-recurring items (IFRS)	0.2	(1.0)	0.2	(0.4)	0.6

Following the deconsolidation of C2P GmbH, the plastics segment now consists solely of C2P S.A.S.'s activity in France.

Sales reached €8.7 million in 2020, down 22% compared to 2019 (new scope of consolidation). Given the sharp slowdown in global demand for recycled polypropylene, particularly in the automotive sector weakened by the effects of the SARS-CoV-2 pandemic, C2P S.A.S.'s activity in France was drastically reduced in April 2020, only to gradually pick up in the third quarter of 2020.

Activity in the fourth quarter of 2020 was positive, with production levels close to those prior to the pandemic period.

In this context, the segment's operating income before non-recurring items was of €0.2 million in 2020, compared with a loss of €0.4 million in 2019.

5. Cash flow and financial structure

The Group's gross cash position amounted to €6.5 million at December 31, 2020, down by €2.6 million compared to the same period in 2019. The Group had no credit lines at the end of December 2020, in contrast to the end of 2019 when the Group had credit lines of €15.0 million, all of which were used at the German subgroup level.

As a result of the deconsolidation of the German subgroup entities in the first half of 2020, the Group's net cash position was positive at December 31, 2020, amounting to €6.5 million, compared with a negative net cash position of €5.9 million at December 31, 2019.

Based on the new scope of consolidation, cash and cash equivalents amount to €6.5 million in 2020 compared to €5.2 million in 2019, up €1.3 million. This increase in the cash position of the new scope of consolidation is mainly due to:

- A positive cash flow from operating activities of €1.4 million following a sharp decrease in working capital requirements of €6.9 million in the two segments (lead and plastics), which more than offset the loss generated (EBITDA of -€5.5 million);
- Dividends from Recytech S.A. (an equity-accounted company) in the amount of €4.0 million;
- A positive cash flow of €1.9 million relating to the repayment of part of the compensations paid by Recylex S.A. in respect of the compensation claims of former Metaleurop Nord employees following the May 24, 2018 ruling by the French Supreme Court in favor of Recylex S.A.

The aforementioned cash flows were used to finance (i) investments (€1.0 million), (ii) the repayment of the European Commission's fine (including interest) for €1.1 million under the payment plan and (iii) expenses related to the rehabilitation of the former mines and the discontinued Estaque site for €3.1 million.

The Group's net financial debt amounted to €45.8 million in 2020, down €131.1 million compared to 2019, due to the deconsolidation of the German subgroup, whose share of net financial debt at December 31, 2019 amounted to €130.5 million.

The Group's net financial debt as of December 31, 2020 breaks down as follows:

- A loan of €16 million (€17.2 million including capitalized interest) granted in 2014 by Glencore International AG. The insolvency of the German subgroup entities has made this loan payable at any time to Glencore International AG, leading Recylex S.A. to request and obtain from Glencore International AG a temporary and conditional waiver of its right to declare this loan immediately payable (see above);
- The debt relating to the European Commission's fine for €24.7 million. This debt is subject to a payment plan under which Recylex S.A. (the Group's parent company) will pay the fine and to a report of the payment of a significant portion of the fine to the medium term. The Company suspended in September 2020 the payment of the fine imposed by the European Commission according to the payment plan agreed in 2017 and has entered into discussions with the European Commission regarding the payment of this fine. The unpaid instalments amounts total €0.5 million (due from September to December 2020);
- The clawback clause under the 2005-2015 continuation plan for an amount of €4.1 million. The amounts due under this clause amount to €2.7 million at December 31, 2020, with the main creditor being Glencore International AG with €2.6 million. Recylex S.A. has obtained

from Glencore International AG a waiver until January 31, 2022 of the right to demand payment of this debt on the same terms as the suspension of its right to declare the loan of €16.0 million immediately due and payable;

- The rescheduled debt due in 2026 under the continuation plan of Recylex S.A. for an amount of €5.1 million towards Glencore International AG.

As the future maturities of the financial debt are not compatible with the Group's cash flow generation in its new configuration, Recylex S.A. has entered into discussions with its creditors, namely Glencore International AG and the European Commission, to adapt the amount and maturity of the debt to its cash flow generation capacity. In this context, the Group is also studying the feasibility of a disposal of certain assets and/or activities in order to restructure the debt and to enable the remaining activities to continue operating.

In addition to financial liabilities, Recylex S.A. has environmental liabilities relating to the rehabilitation of the former mines and the discontinued Estaque site, for which provisions have been set aside amounting to €13.4 million at December 31, 2020, of which €9.1 million concern the Estaque site.

Recylex S.A. has suspended rehabilitation works at the Estaque site until December 31, 2021 and has obtained a postponement from the competent authorities of the completion date of the works to December 31, 2024.

The projected schedule of rehabilitation costs for the Estaque site, based on current obligations and the best estimates available at the balance sheet date, is difficult to reconcile with the Group's future cash flow generation in its new configuration, and Recylex S.A. will almost certainly have to find external financing to fund these works or sell the site in its current state.

Shareholder's equity at December 31, 2020 was -€40.0 million compared to -€168.7 million at December 31, 2019. Although still negative, the improvement in shareholders' equity is mainly due to the positive net income in 2020 of €126.7 million, which includes the effect of the deconsolidation of the German subgroup entities for €159.4 million.

6. Update on ongoing legal proceedings concerning Recylex S.A.

The summary document of the ongoing legal procedures is available on the [Finance section](#) of the Recylex Group website.

7. Outlook

Recylex S.A. has drawn up a new short-, medium- and long-term financial outlook to take into account the known impacts of the insolvency proceedings at the level of the German subgroup entities and the new scope of activities. This new outlook is based on the following assumptions:

- Weser-Metall GmbH will continue to operate and Recylex S.A. will continue to supply secondary materials to Weser-Metall GmbH's smelter;
- Recylex S.A.'s ability to find new outlets for its products in the medium term in order to reduce its dependence on Weser-Metall GmbH, which is now its principal and quasi-unique client;
- The extension beyond January 31, 2022 of the maturity date of the €16 million loan granted in 2014 by Glencore International AG;
- The waiver of the payment of the financial interest related to the €16 million loan granted by Glencore International AG for at least the next 12 months (for an amount of €1.2 million), as well as the adaptation of the amount, the terms of repayment and the medium-term interest;
- The temporary waiver of the payment plan for the fine to the European Commission and adjustment of the payment schedule to ensure that it is compatible with Recylex S.A.'s capacity to generate cash. In this respect, a request was made in July 2020 to the European Commission to adjust the amount and payment plan to the Group's new economic situation;
- The adequacy of the annual rehabilitation costs for the former mines and the discontinued Estaque site, so that the costs are compatible with Recylex S.A.'s cash-generating capacity, it being specified that Recylex S.A. will most certainly have to find external financing for the works on the Estaque site or sell the site in its current state in order to meet its current obligations. The rehabilitation schedule defined by the complementary prefectural order of January 15, 2021 is set for December 31, 2024, for a total cost of approximately €9 million.

The financial outlook is based on a favorable outcome to the discussions initiated with Recylex S.A.'s creditors regarding the adjustment of the amount and maturity of existing debts to the Group's future cash generation capacity. These discussions are currently in progress at the date of closing of Recylex S.A.'s consolidated and annual financial statements. As the outcome of these discussions is uncertain, this situation gives rise to significant uncertainty as to the company's ability to continue as a going concern.

8. Provisional financial agenda

The Shareholders' Meeting called to approve the 2020 consolidated and annual financial statements will be held on June 16, 2021, in accordance with the terms and conditions that will be specified later depending on the restrictions still in force in connection with the SARS-CoV-2 pandemic.

Next publication: Financial information as of March 31, 2021, on Thursday, April 29, 2021 (after market close).

1 See press releases May 14, 2020 and May 20, 2020. With the decisions of the German court confirming the fillings for insolvency proceedings at the level of the German subgroup entities, Recylex S.A. has definitively lost control of all the entities of the German subgroup. With the court's decisions, all powers have been transferred in full to the Managing Directors of the German entities and to the court-appointed administrator.

2 These assumptions and factors are detailed in Note 32 to the 2020 consolidated financial statements.

3 Changes in the scope of consolidation and the effects of the deconsolidation of the German subgroup are described in Note 37 to the 2020 consolidated financial statements.

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

5 Net cash and cash equivalents of drawn credit lines.

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). More detailed information on Recylex can be found on its website (www.recylex.eu). In this press release, unless otherwise indicated, all changes are expressed on an annual basis (2020/2019).*

Les matières premières des mines urbaines

Le groupe Recylex est un spécialiste européen du recyclage du plomb, du zinc et du polypropylène.

Pour en savoir plus : consultez notre site web : www.recylex.eu

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