



# **RECYLEX S.A.**

## ***Statutory Auditors' report on the financial statements***

*This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.*

*This statutory auditors' report includes information required by French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

Year ended December 31, 2020  
RECYLEX S.A.  
6, place de la Madeleine - 75008 Paris  
*This report contains XX pages*



**RECYLEX S.A.**

Registered office: 6, place de la Madeleine - 75008 Paris

**Statutory auditors' report on the financial statements**

Year ended December 31, 2020

To the Recylex SA Annual General Meeting

To the Recylex SA Annual General Meeting

**Disclaimer of opinion**

In compliance with the engagement entrusted to us by your Annual General Meeting, it is our role to audit the accompanying financial statements of Recylex S.A. for the year ended December 31, 2020.

We are unable to express an opinion on whether the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as of December 31, 2020 and of the results of its operations for the year then ended in accordance with French accounting principles. Due to the materiality of the matters described in the section "Basis for disclaimer of opinion", we were unable to collect sufficient and appropriate information on which to base an opinion on the financial statements.

The observation expressed above is consistent with our report to the Audit Committee.

**Basis for disclaimer of opinion**

As disclosed in the "Assessment of liquidity risk / Business continuity" section of the "Main events" note to the financial statements for the year ended December 31, 2020, the German sub-group entities filed a request to open insolvency proceedings in May 2020. The request was granted on May 15, 2020. This procedure limits the activity of Recylex S.A. to its French entities. In this context, the Company reviewed its outlook, which is based on a certain number of assumptions, items and ongoing actions, including:

- continuation of Weser-Metall GmbH's activity and of the supply of secondary materials to its foundry by Recylex S.A. Weser-Metall GmbH is now outside the Recylex Group and is subject to insolvency proceedings,
- Recylex S.A.'s ability to find new outlets for its products in the mid-term in order to reduce its dependency on Weser Metall GmbH which is practically its only customer. No commercial agreement guarantees the purchase of volumes by this company from Recylex S.A.,

- changes in the commercial terms and conditions of secondary materials (processing costs), lead and zinc prices and the €/USD exchange rate, as Recylex S.A.'s activity is highly sensitive to changes in these parameters,
- changes in used lead battery purchase volumes and prices, as the commercial margin and cash generated by Recylex S.A.'s activity is heavily dependent on these parameters,
- changes in the recycled polypropylene market and its impact on the business of the subsidiary C2P S.A.S, Recylex S.A.'s sole outlet for the sale of polypropylene residue from battery recycling. The subsidiary C2P SAS, located on the Recylex SA recycling site in Villefranche sur Saône, uses the same infrastructures as Recylex SA therefore enabling economies of scale. The interdependency of both companies is a factor to be taken into account when assessing their financial risks,
- extension beyond January 31, 2022 of the deferral of the maturity date of the €16 million loan granted in 2014 by Glencore International AG, conditional on the continued supply by Recylex S.A. of secondary materials to Weser-Metall GmbH, or the successful continuation of Recylex S.A.'s financial and non-financial debt restructuring process,
- suspension of interest payments on the €16 million loan granted by Glencore International AG for at least the next 12 month (for an amount of €1.2 million), and changes to the amount, repayment conditions and interest in the mid-term,
- compatibility of annual rehabilitation expenditure for the former mines and the discontinued Estaque site with Recylex S.A.'s ability to generate cash, it being specified that Recylex S.A. will certainly need to find external financing for work at the Estaque site or sell the site in its current state to satisfy its current obligations. The rehabilitation schedule defined by the additional prefectural order of January 15, 2021 sets a completion date of December 31, 2024 for a total works amount of €9 million,
- financial income and notably dividends received from Recytech S.A. (equity associate), whose results are highly sensitive to zinc prices,
- developments in ongoing legal procedures against Recylex S.A. and contingent liabilities,
- temporary suspension of the payment plan for the European Commission fine and changes to the payment schedule to make it compatible with Recylex S.A.'s cash generation capacity. To this end, a request was submitted to the European Commission in July 2020 seeking changes to the amount and payment plan in line with the Group's new economic situation in its new configuration,
- Recylex S.A.'s ability to find the new financing necessary to rehabilitate the discontinued Estaque site and the former mines, or the ability to sell this site in its current state.

No definitive elements of assessment allow the attainment of the assumptions and items adopted or the outcome of ongoing actions to be foreseen. A material uncertainty therefore exists, casting doubt on the Company's ability to continue as a going concern. Should the assumptions and items adopted not be confirmed or the outcome of ongoing

actions be unfavorable, the application of French accounting rules and methods in a normal context of business continuity, notably for the assessment of assets and liabilities, could prove inappropriate.

Based on a similar situation and items of the same nature, we were already unable to certify the financial statements for the year ended December 31, 2019 in our report of October 23, 2020.

### **Justification of Assessments – Key Audit Matters**

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*code de commerce*) relating to the justification of our assessments, we inform you that, given the disclaimer of opinion detailed above, we have no key audit matters to bring to your attention relating to risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period, other than those detailed in the section “Basis of disclaimer of opinion”.

### **Specific Verifications**

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law and regulations.

### **Information given in the management report and in the other documents addressed to the Annual General Meeting with respect to the financial position and the financial statements.**

We have the same matters to report on the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the other documents addressed to shareholders with respect to the financial position and the financial statements, as disclosed in the section “Basis of disclaimer of opinion”.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment terms, required under Article D.441-6 of the French Commercial Code.

## **Corporate governance information**

We attest that the Board of Directors' report on corporate governance contains the information required by Articles L.225-37-4, L.22-10-10 and L.22-10-9 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L. 22-10-9 of the French Commercial Code relating to remunerations and benefits paid or granted to the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlled by it included within the scope of consolidation. Based on this work, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your company considered likely to have an impact in the event of a takeover bid or exchange offer, provided pursuant to Article L. 22-10-11 of the French Commercial Code (*code de commerce*), we have agreed this information to the source documents communicated to us. Based on these procedures, we have no observations to make on this information.

## **Other information**

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

## **Other Legal and Regulatory Verifications or Information**

### **Format of presentation of the financial statements intended to be included in the annual financial report**

In accordance with Article 222-3, III of the AMF General Regulation, the Company's management informed us of its decision to postpone the presentation of the financial statements in compliance with the European single Electronic format as defined in the European Delegated Regulation No 2019/815 of December 17, 2018 to years beginning on or after January 1, 2021. Therefore, this report does not include a conclusion on the compliance with this format of the presentation of the financial statements intended to be included in the annual financial report mentioned in Article L. 451-1-2, I of the French Monetary and Financial Code (*code monétaire et financier*).

## **Appointment of the Statutory Auditors**

We were appointed as statutory auditors of Metaleurop S.A. (which became Recylex S.A. in 2007) by the Annual General Meeting of March 30, 2000 for Deloitte & Associés and of February 13, 1995 for KPMG Audit.

As of December 31, 2020, Deloitte & Associés and KPMG Audit were in the 21<sup>st</sup> year and 27<sup>th</sup> year of total uninterrupted engagement, respectively, considering the successive terms of office between legal entities of the same network.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and, where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

### **Statutory Auditors' Responsibilities for the Audit of the Financial Statements**

#### **Objectives and audit approach**

Our role is to conduct an audit in accordance with professional standards applicable in France and to issue a report on the financial statements.

We conducted our engagement in compliance with independence rules applicable to us, for the period from January 1, 2020 to the issue date of our report and in particular we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) no. 537/2014 or in the French Code of ethics for statutory auditors.

Furthermore, the non-audit services we provided during the year to your Company and the entities it controls that are not mentioned in the management report or the notes to the financial statements were as follows:

- Issue of an observation report following agreed upon procedures conducted on the statutory and consolidated financial information of Recylex S.A. for fiscal years 2015 to 2019 (services rendered by KPMG).

## Report to the Audit Committee

We submit a report to the Audit and Risk Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as significant audit findings. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration referred to in Article 6 of Regulation (EU) no. 537/2014, confirming our independence pursuant to the rules applicable in France as defined in particular by Articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of ethics for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

Paris-La Défense, April 27, 2021

The Statutory Auditors

KPMG Audit  
*Division of KPMG S.A.*

Deloitte & Associés

Alexandra Saastamoinen  
*Partner*

Frédéric Neige  
*Partner*