

## 2018 INTERIM RESULTS

- **First-half 2018 results affected by the production slowdown in the Lead segment**
- **Steep decline in the Lead segment, upbeat performance in the Zinc segment, Special Metals segment back in profit, close to breakeven in the Plastics segment**

Suresnes, September 28<sup>th</sup>, 2018: Recylex S.A.'s Board of Directors (Euronext Paris: FR0000120388 - RX) today approved the consolidated interim financial statements for the six months to June 30<sup>th</sup>, 2018.

### Condensed consolidated income statement and balance sheet figures (reviewed by the auditors):

(€ million)	Six months to June 30 <sup>th</sup> , 2018	Six months to June 30 <sup>th</sup> , 2017	Change (€ million)
Sales	194.6	218.3	-23.7
EBITDA <sup>1</sup> IFRS	(1.9)	9.6	-11.5
Restated <sup>2</sup> EBITDA <sup>1</sup>	6.9	17.4	-10.5
Operating income / (loss) before non-recurring items (IFRS)	(4.1)	6.3	-10.4
Restated operating income before non-recurring items <sup>2</sup>	4.2	13.7	-9.5
Net income (IFRS)	(1.8)	6.7	-8.5

(€ million)	At June 30, 2018	At December 31, 2017	Change (€ million)
Cash and cash equivalents	6.2	5.5	+0.7
Net cash <sup>3</sup>	(8.8)	(9.5)	+0.7
Equity	(3.8)	(4.2)	+0.4
Net financial debt <sup>6</sup>	101.2	93.1	+8.1

### **Sebastian Rudow, Chairman and Chief Executive Officer of Recylex S.A., commented:**

*“Over the first six months of 2018, we successfully completed the construction of our new reduction furnace on schedule and started the hot commissioning. However, following the adjustments made to the main furnace (BSF) to connect it to the new reduction furnace, our Group’s lead production slowed down significantly and considerably impacted our financial performance. As a result, the Zinc segment’s improved performance and the return to profit of the Special Metals segment were not sufficient to offset the Lead segment’s loss. The Plastics segment was close to breakeven. Together with our financial partners, we have now secured an agreement to adjust the terms and conditions of the financing arrangements of the German sub-group. This gives us additional time to deploy our strategic project and indispensable industrial transformation that will drive Recylex Group’s sustainable future. This sequence of events was highly complex to manage, and I’m proud of the work of everyone involved. We now have a clear objective for the second half of 2018: increase our lead production.”*

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The English version of the Recylex Group's 2018 Interim Financial Report may be downloaded from the Company's website ([www.recylex.fr](http://www.recylex.fr) – Shareholders/Investors – Regulated Information – [Interim Financial Report](#)).

## 1. Trend in metals prices in euros in the six months to June 30<sup>th</sup>, 2018<sup>4</sup>

Average prices for the six-month period to end-June were as follows:

(€ per tonne)	First-half 2018 average	First-half 2017 average	Change (%)
<b>Lead price</b>	<b>2,029</b>	2,052	-1%
<b>Zinc price</b>	<b>2,699</b>	2,487	+9%

## 2. Consolidated results and key balance sheet figures at June 30, 2018

- *Key income statement figures*

Consolidated sales in the first six months of 2018 came to €194.6 million, down 11% compared to the first half of 2017. Restated<sup>2</sup> consolidated sales in the six months to June 30<sup>th</sup>, 2018 came to €207.9 million, down 10% compared to the same period of 2017.

During the first half of 2018, consolidated EBITDA under IFRS showed a loss of €1.9 million, compared to positive EBITDA of €9.6 million in the first half of 2017. Over the same period, restated<sup>2</sup> consolidated EBITDA came to €6.9 million in positive territory, down from €17.4 million in the first half of 2017.

The steep erosion in the Group's operating profitability was attributable to the Lead segment's poor performance<sup>5</sup>. It was pulled down in the first half of 2018 by:

- a lengthy scheduled shutdown of the Weser-Metall GmbH's main furnace (bath smelting furnace, BSF; Nordenham) in the first quarter of 2018 for maintenance and to prepare for its connection to the new reduction furnace,
- the slowdown in the Lead production at Weser-Metall GmbH's main furnace (BSF) in the second quarter of 2018 as a result of the technical adjustments required to connect the main furnace (BSF) to the new reduction furnace, causing a larger than originally anticipated decline in the main furnace's (BSF) availability rate.

In parallel, the Zinc segment's profitability improved in the first half of 2018, with higher zinc prices providing the main driving force. The Special Metals segment's EBITDA picked up significantly, moving back just inside positive territory, owing to the commercial and industrial measures implemented by PPM Pure Metals, and a more supportive market environment. The Plastics segment's EBITDA remained close to breakeven.

Overall, the Group recorded an operating loss before non-recurring items of €4.1 million in the first half of 2018 compared to operating income before non-recurring items of €6.3 million in the same period of 2017. Restated<sup>2</sup> operating income before non-recurring items also declined, but remained well inside positive territory at €4.2 million, compared to €13.7 million in the first half of 2017. The modest profitability improvements in the Zinc and Special Metals segments were not sufficient to offset the downturn in the Lead segment, the Plastics segment being close to breakeven.

Lastly, the positive impact of the increase in the Group's share in income from associates amounting to €5.4 million (up 31% compared to the first half of 2017) and of a reversal of provisions after favorable court rulings (€0.6 million) was offset partially by €3.2 million in net financial expense (up 19% compared to the first half of 2017 owing to the larger debt burden).

Overall, Recylex's consolidated net loss attributable to equity holders of the parent came to €1.8 million in the first half of 2018, compared to net income of €6.7 million in the first six months of 2017.

- *Key balance sheet figures*

The Group's net cash position, after deducting credit facilities, was negative €8.8 million at June 30, 2018, representing a slight improvement of €0.7 million from negative €9.5 million at December 31, 2017. At June 30, 2018, the Group had used all of its credit lines totaling €15.0 million.

Following the exercise of warrants during the first half of 2018 by Kepler Cheuvreux under the equity line arranged in December 2016, 150,000 new shares were issued (exercise price of between €7.52 and €10.12), giving rise to a total net cash inflow of €1.7 million for Recylex S.A.

Cash flow from operating activities came to €5.6 million in the first half of 2018, compared to an outflow of €4.7 million in the same period of 2017. This strong improvement was largely driven by the increase in dividends received from Recytech S.A., a 50%-owned subsidiary active in the Zinc segment, and stabilization in the Group's working capital requirement, which had grown very substantially in the first six months of 2017.

Cash flow from operating activities excluding dividends from Recytech S.A. came to negative €4.8 million in the first half of 2018. That reflected the steep decline in the Lead segment's production over the period.

The Group's net financial debt<sup>6</sup> totaled €101.2 million at June 30<sup>th</sup>, 2018, up €8.1 million compared to at December 31<sup>st</sup>, 2017. This increase was chiefly attributable to the €11.3 million drawdown on bank loans arranged in December 2016 largely to finance capital expenditures in Germany, chief among which construction of the Lead segment's new reduction furnace.

By June 30<sup>th</sup>, 2018, the Group had already repaid the first €2.0 million installment on this bank loan. In addition, the interest expense paid by the Group totaled €4.0 million in the first half of 2018.

Consolidated equity stood at negative €3.8 million at June 30<sup>th</sup>, 2018, compared to negative €4.2 million at December 31<sup>st</sup>, 2017. This slight improvement flowed from the positive impact of the €2.3 million in funds raised by Recylex S.A., chiefly from its equity line, which helped to offset the net loss of €1.8 million recorded in the first half of 2018.

### **3. Consolidated first-half 2018 results by segment (excluding holding company and environment)**

- *Lead segment (64% of consolidated sales)*

(€ million)	Six months to June 30 <sup>th</sup> , 2018	Six months to June 30 <sup>th</sup> , 2017
<b>Sales</b>	<b>124.1</b>	151.4
<b>Operating income/(loss) before non-recurring items (IFRS)</b>	<b>(8.8)</b>	3.8
<b>Restated<sup>2</sup> operating income/(loss) before non-recurring items</b>	<b>(8.8)</b>	4.8

The Lead segment's sales totaled €124.1 million in the first half of 2018, down 18% compared to the first half of 2017.

The segment's performance in the second quarter of 2018 was not strong enough to make up for the weak first quarter. Performance in the first quarter of 2018 was depressed by a lengthy scheduled shutdown of the Weser-Metall GmbH's main furnace (BSF) in Nordenham (for

maintenance and to prepare its connection to the new reduction furnace). Despite a favorable base of comparison linked to the maintenance shutdown in the second quarter of 2017, the production at the smelter slowed down sharply in the second quarter of 2018 compared to the same period of 2017 as a result of the technical adjustments required to connect the main furnace (BSF) to the new reduction furnace, which significantly lowered the main furnace (BSF)'s availability rate.

Overall, production totaled 45,890 tonnes in the first half of 2018, down 20% compared to the first six months of 2017. The recycling plants in France and Germany recycled 59,974 tonnes of scrap lead-acid batteries, i.e. 13% less than in the first half of 2017. Given the slowdown in production at the Nordenham site, the Group decided to scale down its purchases during the second quarter of 2018.

Overall, the Lead segment posted an operating loss before non-recurring items of €8.8 million in the first half of 2018 compared to operating income before non-recurring items of €3.8 million in the first half of 2017. The key factors behind this downturn in profitability are as follows:

- the decline in production and sales for the reasons stated above (impact of around €5.1 million);
- costs linked to the lengthy scheduled maintenance shutdown at the Nordenham smelter (around €4.6 million)
- the increase in scrap lead-acid batteries by comparison with the first half of 2017, which carved into the segment's margin (reducing it by around €2.9 million).

On June 28<sup>th</sup>, 2018, the Group announced the completion of construction work on the Lead segment's new reduction furnace and the commencement of hot commissioning in line with the original schedule. On August 29<sup>th</sup>, 2018, the Group announced that the hot commissioning phase had been completed successfully and production had begun.

However, Recylex announced that more time was needed to optimize the operation of the main furnace (BSF) in its modified configuration<sup>5</sup>. Accordingly, the Group brought in a team of experts to assist it with the process of getting both furnaces to operate effectively in conjunction with each other.

- *Zinc segment (27% of consolidated sales)*

(€ million)	Six months to June 30 <sup>th</sup> , 2018	Six months to June 30 <sup>th</sup> , 2017
<b>Sales (IFRS)</b>	<b>53.8</b>	52.4
<b>Restated<sup>2</sup> sales</b>	<b>67.2</b>	64.1
<b>Operating income/(loss) before non-recurring items (IFRS)</b>	<b>8.3</b>	7.5
<b>Restated<sup>2</sup> operating income before non-recurring items</b>	<b>16.6</b>	14.0

In the first half of 2018, the Zinc segment recorded sales of €53.8 million, up 3% compared to the same period of 2017. Restated<sup>2</sup> segment sales came to €67.2 million, up 5% compared to the first half of 2017. Sales remained at a solid level overall as the impact of the maintenance shutdowns at both Waelz oxide plants in the first quarter of 2018 and the small volume contraction in zinc oxide sales was more than offset by the rise in zinc prices.

Sales generated by the dust processing business accounted for 60% of the segment's total in the first half of 2018. Compared to their level in the first half of 2017, they rose in line with the increase in average zinc prices. Total Group Waelz oxide production reached 35,023 tonnes in the first half of 2018, almost stable at -1% compared to the first half of 2017. The Harz-Metall GmbH and

Recytech S.A. plants processed a total of 85,206 tonnes of zinc-rich dust, compared to 84,083 tonnes in the first half of 2017.

Sales generated by the scrap zinc recycling business accounted for 40% of the segment's total in the first half of 2018. They were stable compared to their level in the first six months of 2017. Zinc oxide production totaled 12,540 tonnes, a similar level to the first half of 2017. Norzinco GmbH processed 11,565 tonnes of scrap zinc in the first half of 2018, compared to 11,861 tonnes in the first half of 2017.

Overall, the Zinc segment's operating income before non-recurring items improved to €8.3 million in the first half of 2018 from €7.5 million in the same period of 2017. The Zinc segment's restated<sup>2</sup> operating income before non-recurring items also moved up to €16.6 million in the first half of 2018, compared to €14.0 million in the first six months of 2017. The scrap zinc recycling business recorded a small profit, while the dust processing business was boosted by its strong sensitivity to zinc prices, which have held up at high levels since the fourth quarter of 2016.

- *Special Metals segment (5% of consolidated sales)*

(€ million)	Six months to June 30 <sup>th</sup> , 2018	Six months to June 30 <sup>th</sup> , 2017
<b>Sales</b>	<b>9.5</b>	7.2
<b>Operating income/(loss) before non-recurring items (IFRS)</b>	<b>0.4</b>	(1.1)

PPM Pure Metals GmbH's sales totaled €9.5 million in the first half of 2018, up 32% compared to the first half of 2017. The positive trend in the first quarter of 2018 continued into the second quarter.

PPM Pure Metals GmbH's sales increased as a result of its sales and marketing efforts and stronger demand. In particular, arsenic sales increased strongly on the back of higher volumes, which more than offset the unfavorable impact of pricing trends. Germanium demand increased, too, as did prices, generating a significant increase in sales.

Against this backdrop, the segment's performance improved during the period. Its modest, but positive operating income before non-recurring items came to €0.4 million, compared to an operating loss of €1.1 million in the first half of 2017.

- *Plastics segment (4% of consolidated sales)*

(€ million)	Six months to June 30 <sup>th</sup> , 2018	Six months to June 30 <sup>th</sup> , 2017
<b>Sales</b>	<b>7.1</b>	7.3
<b>Operating income/(loss) before non-recurring items (IFRS)</b>	<b>(0.1)</b>	0.0

The Plastics segment's sales totaled €7.1 million in the first half of 2018, down 3% compared to the first half of 2017.

The segment has been affected by a tough market environment. In France, C2P S.A.S. (accounting for approximately 80% of the segment's total sales) recorded a small upturn in its sales compared to the first half of 2017, as the volume increase in the first quarter of 2018 offset the dip in prices and volumes in the second quarter. C2P Germany GmbH (accounting for approximately 20% of the segment's total sales) recorded a significant decline in its sales in the first quarter of 2018.

In the first half of 2018, the segment's total production of recycled polypropylene dropped 4% compared to the first half of 2017, totaling 6,877 tonnes.

Amid tough conditions, the segment posted a very small operating loss before non-recurring items of €0.1 million, compared to a breakeven performance in the first half of 2017.

#### **4. Latest developments in legal proceedings**

The September 19<sup>th</sup>, 2018 update summarizing the legal proceedings concerning Recylex S.A. is available on the Recylex Group's website at [www.recylex.fr](http://www.recylex.fr) - News - [Legal proceedings schedule](#). The latest developments in the main legal proceedings during the first half of 2018 are described in the 2018 Interim Financial Report of the Recylex Group available on the company's website [www.recylex.fr](http://www.recylex.fr) (Shareholders / Investors / Regulated Information / Interim Financial Report).

#### **5. Significant events since June 30<sup>th</sup>, 2018**

Considering the slowdown in lead production, which had significantly affected the Group's financial position since the second quarter of 2018, Recylex began discussions<sup>5</sup> with all the relevant financial partners concerned by the financing of the new reduction furnace of Weser-Metall GmbH (Nordenham) in order to adjust its terms and conditions to the Group's German perimeter's current financial situation.

On September 24<sup>th</sup>, 2018<sup>7</sup>, the Group announced having obtained agreement from all the relevant financial partners to adjust the forecasted financial targets applicable under the German sub-group's financing arrangements compared to those set in December 2016<sup>8</sup>. The new conditions of this financing are detailed in the 2018 Interim Financial Report<sup>9</sup>.

In addition, measures were taken to bring the Group's working capital requirement into line with current levels of lead production in the main furnace (BSF).

Furthermore, in accordance with the conditions of the financing agreement arranged in December 2016, the Group's German sub-group set up a €12.0 million loan from Glencore International AG for the specific purpose of financing working capital requirement of the Group's German perimeter arising from the start-up of production at Weser-Metall GmbH's new reduction furnace<sup>10</sup>.

#### **6. Outlook for the second half of 2018**

Metals prices stated in euros moved higher in early 2018, before correcting slightly in the second quarter. This downtrend has continued since the beginning of the third quarter, although prices remain at healthy levels for the time being, supported by still upbeat fundamentals.

In the second half of 2018, movements in the US Dollar/Euro exchange rate and trends in global consumption of metals, especially in China, will have a key influence on the metals markets. The current trade tension between the US, the European Union and China over customs tariffs could affect the direction of metals prices over the remaining part of the year.

- *Lead segment*

The Lead segment's financial performance in the second half of 2018 will be largely contingent upon the Group's ability to step up production at its main furnace (BSF) and stable production of its new reduction furnace. Given the crucial nature of this phase in its industrial transformation, the Group continues to push ahead for the time being with its policy of scaling back its purchases in order to cut its working capital requirement and build its margins back up again.

Weser-Metall GmbH's teams, with the support of the appointed specialized experts, continue to work hard on getting both furnaces to work effectively in conjunction with each other. The Group has set itself the goal of increasing its lead production in the second half of 2018.

The production increase, trends in lead prices over the period and the availability of scrap lead batteries will be the crucial factors influencing the segment's performance in the second half of 2018.

- *Zinc segment*

Performance in the Zinc segment's two businesses will be heavily influenced by the direction of zinc prices in the second half of 2018.

In the dust processing business, Harz-Metall GmbH's next major maintenance shutdown is now scheduled for the first quarter of 2019 (rather than in the third quarter 2018 as initially planned). Aside from this maintenance shutdown, Harz-Metall GmbH and Recytech S.A. aim to operate at full capacity, provided that the availability of materials for recycling remains on a par with its level in the first six months of 2018.

In scrap zinc recycling, Norzinco GmbH will continue during the second half of 2018 to expand its procurement base so that it is able to meet demand from its customers. A maintenance shutdown is scheduled for the third quarter of 2018.

- *Special Metals segment*

In the second half of 2018, PPM Pure Metals GmbH's main target will be to continue improving its sales and production.

The outlook remains positive for the arsenic business in the second half of 2018 thanks to firmer demand from the semiconductor and from the silicon and optics sectors.

Although conditions remain challenging in the germanium market, trends could ultimately pick up in the second half of 2018. To this end, PPM Pure Metals GmbH is pressing ahead with its niche strategy in high value-added products and with its efficiency measures. The main focus of this segment is to proceed with its turnaround.

- *Plastics segment*

As every year, annual maintenance shutdowns took place at the Group's two plants in July and August 2018.

During the second half of 2018, the Plastics segment's priority will be to build up its sales and diversify its business portfolio in order to build its margins back up.

## **7. Forecasted Financial agenda**

- Sales for the nine months to September 30<sup>th</sup>, 2018: Thursday, November 8<sup>th</sup>, 2018 (after the market close)

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### ***Régénérer les mines urbaines***

***Implanté en France et en Allemagne, le groupe Recylex est un spécialiste européen du recyclage du plomb, du zinc, du polypropylène et de la production de métaux spéciaux. Acteur majeur de l'économie circulaire avec un savoir-faire historique dans la valorisation des mines urbaines, le Groupe emploie plus de 660 personnes en Europe et a réalisé un chiffre d'affaires de 450 millions d'euros en 2017. Pour en savoir plus sur le groupe Recylex: [www.recylex.fr](http://www.recylex.fr), sur LinkedIn et twitter : @Recylex***

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<sup>1</sup> Operating income before non-recurring items and before additions to and reversals from amortization, depreciation, provisions and impairment losses (non-IFRS indicator).

<sup>2</sup> To assess the performance of its Lead segment, the Group uses the "Last in first out" method in its internal reporting (not permitted under IFRS) to measure inventories for its main lead smelter in Nordenham. To assess the performance of the Zinc segment, the Group also releases restated financial data including the contribution from 50%-owned Recytech SA consolidated proportionately (a method not permitted under IFRS). See Note 4 to the consolidated financial statements for the six-month period ended June 30, 2018.

<sup>3</sup> Cash net of bank overdraft facilities and credit lines used.

<sup>4</sup> Source: London Metal Exchange 2017 – See the press release of July 26, 2018 for more details.

<sup>5</sup> See the press release dated August 29, 2018.

<sup>6</sup> Excluding contingent liabilities - See Note 1.F of the consolidated financial statements for the six-month period ended June 30, 2018.

<sup>7</sup> See the press release dated September 24, 2018.

<sup>8</sup> See Notes 30 and 32.5.2 to the consolidated financial statements for the year ended December 31, 2017, Notes 6.7 and 7 of the consolidated financial statements for the six-month period ended June 30, 2018 and the press release of December 29, 2016.

<sup>9</sup> See Note 10 of the consolidated financial statements for the six-month period ended June 30, 2018.

<sup>10</sup> See Notes 1.G, 7 and 10 of the consolidated financial statements for the six-month period ended June 30, 2018.

**Disclaimer:** This press release may contain forward-looking information that is either a trend or an objective and cannot be regarded as forecast of results or any other performance indicator. This information is by 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 complete information on Recylex can be obtained on its website ([www.recylex.fr](http://www.recylex.fr)). In this press release, and unless otherwise indicated, all variations are expressed on an annual basis (2018/2017).