
# 2012 INTERIM FINANCIAL REPORT

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

**Contents**

# STATEMENT BY THE PERSON RESPONSIBLE FOR THE 2012 INTERIM FINANCIAL REPORT

I hereby declare that, having taken all reasonable care to ensure that such is the case, the condensed interim financial statements 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.

Suresnes, August 30, 2012

Yves Roche

**Chairman and Chief Executive Officer**

This 2012 Interim Financial Report is a free translation of the official *Rapport Financier Semestriel 2012* issued in French language and is for information purposes only. In case of any discrepancy between this 2012 Interim Financial Report and the *Rapport Financier Semestriel 2012*, the *Rapport Financier Semestriel 2012* will prevail.

# BUSINESS REVIEW FOR THE FIRST HALF OF 2012

- **2012 interim results (consolidated financial statements)**

At its meeting of August 30, 2012, Recylex SA's Board of Directors reviewed and approved the condensed consolidated financial statements of the Recylex Group (hereinafter the "Group") for the six months ended June 30, 2012.

Consolidated sales for the first half of 2012 amounted to €232.4 million versus €248.8 million in the year-earlier period.

The Lead business benefited from improved efficiency and productivity at the main Nordenham smelter in Germany. This only partly offset the sharp deterioration in margins caused by high scrap battery prices, which failed to fall as quickly as lead prices. The Zinc business delivered improved profitability despite a sharp fall in zinc prices during the period. The Special Metals business broke even at operating level in a climate of weakening demand. The Plastics business delivered a positive performance at operating level, stable compared with the previous year despite the market slowdown.
Against this backdrop, the Group reported an operating loss before non-recurring items (IFRS) of €0.4 million compared with a profit of €12.7 million for the same period of 2011. On a LIFO[1] basis, operating income before non-recurring items came to €1.7 million for the first-half 2012 compared with €5.3 million in first-half 2011.

The consolidated net loss amounted to €1.6 million versus a net profit of €6.3 million in first-half 2011.

- **Key figures**

| In millions of euros | **Six months to June 30, 2012** | **Six months to June 30, 2011** |
|---|---|---|
| **Consolidated sales** | **232.4** | 248.8 |
| **EBITDA[2] (IFRS)** | **4.7** | 18.7 |
| **EBITDA[2] (LIFO[1])** | **7.1** | 10.5 |
| **Operating income before non-recurring items (IFRS)** | **(0.4)** | 12.7 |
| **Operating income before non-recurring items (LIFO[1])** | **1.7** | 5.3 |
| **Consolidated net income (IFRS)** | **(1.6)** | 6.3 |

| In millions of euros | ***At June 30, 2012*** | *At December 31, 2011* |
|---|---|---|
| **Net cash and cash equivalents[3]** | **26.5** | 41.5 |

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

*[2] Operating income before non-recurring items, depreciation, amortization, provisions and impairment losses.*

*[3] Cash net of bank overdrafts*

- **Financial position**

Net cash and cash equivalents fell to €26.5 million in the six months from December 31, 2011 to June 30, 2012 due to loan repayments of about €5 million in Germany and a sharp increase in the working capital requirement relating mainly to increased activity at the main smelter in Germany during the period.
Nevertheless, Group cash flow before net interest and tax expense remained positive at €2.8 million during the first-half 2012.

- **Operations and significant events in the first half of 2012**

  - Market conditions in the first half of 2012

Lead and zinc prices fluctuated sharply during the first half, with a downward trend across the period.
For example, during the first quarter, the price of lead peaked at €1,740 at end January and hit a low of €1,527 in early January and in February, whilst in the second quarter, it peaked at €1,632 in May and hit a low of €1,395 at end June. The price fell most sharply in June 2012, averaging €1,479 per tonne for the month.
The price of zinc was also highly volatile with a downward trend across the period. It began the year at a low of €1,403 and peaked at €1,657 at end January. In the second quarter, it reached €1,550 in May but had fallen to €1,407 by the end of June.

Average lead and zinc prices over the first half were as follows:

| (in euros per tonne) | **First half 2012** | First half 2011 | *2011* |
|---|---|---|---|
| **Lead price** | **1,568** | 1,841 | *1,722* |
| **Zinc price** | **1,524** | 1,660 | *1,574* |

  - Operations of Group companies in the first half of 2012

| In millions of euros | Sales and operating income before non-recurring items (IFRS and LIFO[1]) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Sales** | | **Operating income before non-recurring items (LIFO[1])** | | **Difference relating to use of the average weighted cost (AWC) method compared with the LIFO method[1]** | | **Operating income before non-recurring items (IFRS)** | |
| | **June 30, 2012** | June 30, 2011 | **June 30, 2012** | June 30, 2011 | **June 30, 2012** | June 30, 2011 | **June 30, 2012** | June 30, 2011 |
| **Lead** | **174.8** | 182.2 | **0.1** | 2.5 | **(2.1)** | 7.4 | **(2.0)** | 9.9 |
| **Zinc** | **40.4** | 43.9 | **3.2** | 2.9 | **-** | - | **3.2** | 2.9 |
| **Special metals** | **10.5** | 15.6 | **0** | 1.4 | **-** | - | **0** | 1.4 |
| **Plastics** | **6.7** | 7.1 | **0.6** | 0.7 | **-** | - | **0.6** | 0.7 |
| **Other** | **-** | - | **(2.2)** | (2.2) | **-** | - | **(2.2)** | (2.2) |
| **TOTAL** | **232.4** | 248.8 | **1.7** | 5.3 | **(2.1)** | 7.4 | **(0.4)** | 12.7 |

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

The Lead segment accounted for 75% of total sales compared with 17% for Zinc, 5% for Special Metals and 3% for Plastics.

- *Lead*

The Group's plants processed about the same volume of scrap batteries in the first half of 2012 as in the year-earlier period (76,275 vs. 77,411 tonnes).
Due to strong competition between recycling companies, scrap battery prices remained high and failed to fall as quickly as lead prices during the period. This very tight supply situation put pressure on margins in this segment.

The Nordenham smelter increased its production to a record level in first-half 2012 compared to the first-half 2011 thanks to improved efficiency and productivity gains made during the period. It produced 71,743 tonnes of lead versus 63,796 in first-half 2011. No major maintenance shutdown is planned for the Nordenham smelter in 2012.

The decline in sales was therefore contained to 4% despite the 15% fall in lead prices compared with first-half 2011.
The good industrial performance at the Nordenham smelter only partly offset the decline in margins on scrap battery processing and the fall in lead prices. Operating income before non-recurring items was down sharply in first-half 2012 compared with first-half 2011.

- *Zinc*

Zinc prices fell sharply by 8% during the first half. In this climate, there were contrasting trends depending on the segment:

- The zinc wastes recycling business (zinc oxides production - Norzinco GmbH) suffered a slowdown in demand, especially in the automobile and chemicals sectors. Sales dropped by 18% compared with first-half 2011.
- In the Waelz oxides business, sales rose by 11% thanks to improvements enabling the production facilities of Harz-Metall GmbH in Germany to obtain more zinc from the materials processed, coupled with better commercial terms.
  Recytech SA, which is 50%-owned by Recylex, carried out its scheduled six-week shutdown in May and June 2012 with a major refurbishment of its kiln.

Consequently, sales in the Zinc business fell by 8% compared with first-half 2011, although operating income before non-recurring items improved during first-half 2012 compared to first-half 2011 due to the amelioration of productivity and profitability in the Waelz oxides segment.

- *Special Metals*

With effect from January 1, 2012, the production assets and staff of the two German subsidiaries, PPM Pure Metals GmbH and Reinstmetalle Osterwieck GmbH, were combined in a single legal entity which was then renamed “PPM Pure Metals GmbH”.

Sales in the Special Metals segment fell by 33% in first-half 2012 from a high baseline in the year-earlier period.
The decrease was driven by a sharp decline in demand in the high-purity arsenic and germanium segments.
Against this backdrop, profitability also decreased in first-half 2012 compared with first-half 2011 although the business broke even in terms of operating income before non-recurring items.

Following the strategic review of the Special Metals segment, the Recylex group has decided to focus this segment on recycling in the current market conditions and seek new operating and commercial synergies with the other activities of the Group.

- *Plastics*

Sales in the Plastics segment fell by 6% in first-half 2012 compared to first-half 2011, driven by falling polypropylene prices, which are indexed to oil prices which decreased. In terms of volumes, activity remained stable in France in a declining market, thanks to the loyalty of C2P customers and success in winning new customers. In Germany, the Group suffered a fall in volumes.

In this difficult environment, the Plastics business delivered a good performance, with operating income before non-recurring items similar in first-half 2012 to the first half of 2011.

- **Ongoing litigation involving Metaleurop Nord SAS**

The legal claims lodged against Recylex SA by former employees of Metaleurop Nord SAS and by the liquidators of Metaleurop Nord SAS are still ongoing:

- Former Metaleurop Nord non-managerial employees

On June 27, 2008, the industry section of the Lens labor tribunal decided that Recylex SA was the co-employer of 493 former non-managerial employees of Metaleurop Nord SAS, and awarded each claimant €30,000 as damages and €300 in costs. The tribunal decided, however, to include these sums, for a total of €14.9 million, in the liabilities to be paid over time by Recylex SA, in accordance with the terms of its continuation plan approved by the Paris Commercial Court on November 24, 2005. The Company appealed against these decisions.

On December 18, 2009 (460 rulings given) and December 17, 2010 (8 rulings given), the Douai Appeal Court partially upheld the Lens labor tribunal's decisions and granted compensation totaling approximately €12.6 million to 468 unprotected former employees, ordering that these sums be included in Recylex SA's liabilities, payable in installments within the framework of its continuation plan. In accordance with the Company's continuation plan, 44% of these damages, totaling approximately €5.5 million, corresponding to the first six installments of the plan (November 2006 to November 2011) have been paid to date. The balance, totaling approximately €7.1 million, will be paid in installments in accordance with the Company's continuation plan until November 2015.

On September 28, 2011, the employment division of the *Cour de Cassation* rejected the appeals lodged by the Company against the 460 rulings of the Douai Appeal Court given on December 18, 2009. The *Cour de Cassation* is due to deliberate on Recylex's appeals against the 8 rulings delivered on December 17, 2010 by the Douai Appeal Court on September 12, 2012.

In its rulings of December 18, 2009, the Douai Appeal Court had also rejected the claims of 22 protected former employees (staff representatives, works council members, trade union delegates). On September 28, 2011, the employment division of the *Cour de Cassation* decided to reject the appeals lodged by these former employees against these decisions.

On March 30, 2012, the Douai Appeal Court rejected the subsidiary claims made against Recylex SA by 3 former employees who were made redundant before Metaleurop Nord SAS went into liquidation. It upheld the claim that these former employees had been made redundant without just and serious cause and set the amount of damages to be included in the liabilities of Metaleurop Nord SAS in liquidation at between €15,000 and €30,000 per employee. The liquidators of Metaleurop Nord have decided to appeal before the *Cour de Cassation*.

Lastly, the Industrial Section of the Lens labor tribunal is due to deliberate on the claims for damages made in 2010 by 137 former Metaleurop Nord employees, who were not party to the initial proceedings, on October 16, 2012. The total amount of these claims – approximately €6.9 million – has been provided for in full in the Company's financial statements.

- Former Metaleurop Nord managerial employees

On September 15 and 30, 2009 and February 26, 2010, the Management section of the Lens labor tribunal awarded each of the 91 former managerial employees of Metaleurop Nord SAS an identical sum of €30,000 as damages and €300 in costs, ruling that Recylex SA had been their co-employer, and ordered that the sums should be included in the liabilities of Recylex SA, payable in installments under its continuation plan. The Company appealed against these decisions.

On December 17, 2010, the Douai Appeal Court partially upheld the Lens labor tribunal's decisions, ruling that Recylex SA was a co-employer of the former managerial employees of Metaleurop Nord SAS. The Appeal Court granted 84 unprotected former managerial employees damages of between €20,000 and €50,000 and €500 in costs, totaling approximately €3.6 million, and ruled that these sums should be included to the liabilities of Recylex SA paid in installments under its continuation plan. Recylex SA decided to appeal against these decisions in the *Cour de Cassation*. In accordance with the terms of the plan, 44% of these damages, or a total of around €1.6 million, corresponding to the first six installments of the plan (November 2006 to November 2011) have been paid to date. The remaining €2 million will be paid in installments in accordance with the Company's continuation plan until November 2015, subject to the deliberation of the *Cour de Cassation* set for September 12, 2012.

In addition, on December 17, 2010, the Douai Appeal Court also rejected the claims for damages made by six former protected managerial employees. The decision of the employment division of the *Cour de Cassation* concerning the appeals lodged by these parties against these rulings is set for September 12, 2012.

On May 31, 2012, the Douai Appeal Court overturned the Lens labor tribunal's ruling ordering damages of €30,000 and €300 in costs to be paid to a former employee who was made redundant before Metaleurop Nord SAS went into liquidation, pronouncing the claims inadmissible.

Lastly, the Management Section of the Lens labor tribunal is due to deliberate on the claims made in 2010 by 55 former Metaleurop Nord employees, who were not party to the initial proceedings, on October 16, 2012. The total amount of the claims – approximately €3 million – has been provided for in full in the Company's financial statements.

- The liquidators of Metaleurop Nord SAS

The lawsuit brought by the liquidators of Metaleurop Nord SAS, claiming the repayment by Recylex SA of Metaleurop Nord SAS's liabilities up to an amount of about €50 million, was rejected on February 27, 2007 by the Bethune Regional Court, which found that Recylex SA was not the *de facto* manager of Metaleurop Nord SAS. No provision has been recognized in Recylex SA's financial statements. The liquidators have appealed against 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'Etat* for a judgment on a point of law.

Recylex SA had argued that the claim brought by the liquidators of Metaleurop Nord SAS was inadmissible on the grounds that the liquidators had failed to state their claim in accordance with the law in the context of Recylex's court-supervised recovery procedure begun on November 13, 2003. The liquidators relied on a regulatory provision that they claim discharged them from having to declare their claim in that manner. On May 20, 2011, the *Conseil d'Etat* rejected Recylex SA's application considering that the regulatory provision in question was legal.

The case was heard by the Douai Appeal Court on April 12, 2012 and the date of the ruling was initially set for June 28, 2012 and then adjourned to September 19, 2012.

The claim for repayment of liabilities has not been included in the continuation plan approved by the Paris Commercial Court on November 24, 2005 and has not been provided for in the Company's financial statements given the favorable ruling delivered in first instance by the Béthune Regional Court. Should the final outcome of these proceedings go against Recylex SA, execution of the continuation plan could be jeopardized.

- **Description of the main risks and uncertainties for the second half of 2012**

The main risks likely to impact the Group's financial position and results in the second half of 2012 are the outcome of the claim made by the liquidators of Metaleurop Nord SAS up to a maximum amount of about €50 million, which will be known at the appeal stage on September 19, 2012, and trends in lead and zinc prices relative to the purchase cost of secondary materials.

- **Expected developments and outlook**

Metal prices remained volatile at the start of the second half of 2012. Developments will depend on how the debt crisis in Europe unfolds and on trends in Chinese economic growth.

- *Lead*

Following the fall in lead prices at the end of June 2012, the Group has observed the beginnings of a fall in scrap batteries prices, but this trend remains to be confirmed in the third quarter 2012.

- *Zinc*

Given the lack of recovery in the automobile sector and the slowdown in the chemicals industry in Europe, production of zinc oxides during the second half 2012 could remain in line with the first half.
By contrast, the Waelz oxides business should continue to benefit during the second-half 2012 from technical improvements made at HMG GmbH in Germany.

- *Special Metals*

Trends in the Special Metals business will depend on economic trends in the semi-conductors sector, particularly in South East Asia and Japan.

- *Plastics*

The Plastics business will continue its efforts to broaden its customer base during the second half of 2012.

- **Related-party transactions**

Details of the main related-party transactions are provided in Note 9 to the condensed consolidated interim financial statements for the six months ended June 30, 2012 attached to the present report.

- **Statement of changes in equity**

The statement of changes in equity is provided in the condensed consolidated interim financial statements for the six months ended June 30, 2012 attached to the present report.

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT JUNE 30, 2012**

**CONSOLIDATED BALANCE SHEET**
**Period to June 30, 2012**
***(in thousands of euros)***

| | Notes | June 30, 2012 *(in thousands of euros)* | December 31, 2011 *(in thousands of euros)* |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 6.1 | 73,736 | 71,504 |
| Intangible assets | 6.1 | 1,590 | 1,747 |
| Financial assets | | 1,921 | 1,552 |
| Financial instruments | 6.12 | - | - |
| Other non-current financial assets | 6.3 | 4,614 | 4,733 |
| Investments in associates | | 484 | 143 |
| Deferred tax assets | 5.6 | 6,433 | 6,730 |
| | | **88,778** | **86,408** |
| **Current assets** | | | |
| Inventories | 6.4 | 79,725 | 82,404 |
| Trade receivables | 6.5 | 30,391 | 21,063 |
| Current income tax assets | | 554 | 635 |
| Other current assets | 6.6 | 8,554 | 4,122 |
| Other financial instruments | 6.12 | 323 | 51 |
| Cash and cash equivalents | 6.7 | 33,511 | 41,534 |
| | | **153,058** | **149,809** |
| Non-current assets held for sale | | - | - |
| | | **153,059** | **149,809** |
| **TOTAL ASSETS** | | **241,836** | **236,217** |
| **Equity and liabilities** | 6.8 | | |
| Issued capital | | 47,950 | 47,950 |
| Issue premium | | 866 | 866 |
| Reserves (Group share) | | 50,009 | 49,880 |
| Hedging reserves | | - | - |
| Net income Group share | | (1,635) | 48 |
| Translation adjustments | | 1,452 | 1,452 |
| Share premiums and reserves (Group share) | | **98,642** | **100,196** |
| Minority interests | | - | - |
| **TOTAL EQUITY** | | **98,642** | **100,196** |
| **Non-current liabilities** | | | |
| Interest-bearing borrowings | 6.9 | 1,795 | 1,771 |
| Provisions | 6.10 | 32,918 | 33,933 |
| Pension liabilities | | 23,005 | 23,069 |
| Other non-current liabilities | 6.11 | 19,846 | 19,463 |
| Deferred tax liabilities | 5.6 | 2,403 | 3,110 |
| | | **79,967** | **81,346** |
| **Current liabilities** | | | |
| Interest-bearing borrowings | 6.9 | 7,472 | 5,635 |
| Provisions | 6.10 | 8,573 | 6,874 |
| Pension liabilities | | 2,232 | 2,210 |
| Trade payables | | 20,665 | 21,591 |
| Income tax payable | | 391 | 605 |
| Other financial instruments | 6.12 | 15 | - |
| Other current liabilities | 6.11 | 23,879 | 17,760 |
| | | **63,227** | **54,675** |
| Liabilities associated with non-current assets held for sale | | - | - |
| **TOTAL LIABILITIES** | | **143,194** | **136,021** |
| **TOTAL EQUITY AND LIABILITIES** | | **241,836** | **236,217** |

**CONSOLIDATED INCOME STATEMENT**
**Period to June 30, 2012**

| *(in thousands of euros)* | *Notes* | *June 30, 2012* | *June 30, 2011* |
|---|---|---|---|
| | | *(in thousands of euros)* | *(in thousands of euros)* |
| Sales of goods and services | | 232,377 | 248,775 |
| **Total sales** | | **232,377** | **248,775** |
| Purchases used | | (185,530) | (192,261) |
| Staff costs | | (22,383) | (22,060) |
| External costs | 5.1 | (24,807) | (27,491) |
| Taxes other than on income | | (1,272) | (1,247) |
| Depreciation, amortization and impairment losses | 5.2 | (5,088) | (6,004) |
| Goodwill impairment losses | | - | - |
| Changes in work-in-progress and finished goods | | 5,749 | 12,683 |
| Other operating income and expense | | 574 | 258 |
| **Operating income before non-recurring items** | | **(380)** | **12,653** |
| Other non-recurring operating income and expense | 5.3 | 603 | (660) |
| **Operating income** | | **223** | **11,993** |
| Interest income from cash and cash equivalents | 5.4 | 150 | 223 |
| Gross interest expense | 5.4 | (577) | (560) |
| **Net interest expense** | 5.4 | **(427)** | **(337)** |
| **Other financial income and expense** | 5.5 | **(1,281)** | **(2,745)** |
| Income tax expense | 5.6 | (501) | (2,753) |
| Share in income of associates | | 351 | 127 |
| **Net income before minority interests** | | **(1,635)** | **6,285** |
| Minority interests | | | |
| Net income Group share | | (1,635) | 6,285 |
| Earnings per share | | *(in euros)* | *(in euros)* |
| - basic | **5.7** | (0.07) | 0.26 |
| - diluted | **5.7** | (0.07) | 0.26 |

**STATEMENT OF COMPREHENSIVE INCOME**
**Period to June 30, 2012**

| *(in thousands of euros)* | June 30, 2012 | June 30, 2011 |
|---|---|---|
| **Net income……………………………………………………………………** | **(1,635)** | **6,285** |
| Translation adjustments………………………………………………… | (9) | - |
| Cash flow hedges ……………………………………….......................... | - | 745 |
| Deferred tax on cash flow hedges……………………………………….. | - | (218) |
| Available-for-sale securities………………………………………………. | - | - |
| Translation adjustments on investments in associates……………….. | - | (2) |
| Income and expenses recognized directly in equity …………………. | - | - |
| **Total other comprehensive income………………………………….** | **(9)** | **525** |
| **Comprehensive income…………………………………………………** | **(1,644)** | **6,810** |
| Of which: | | |
| Group share……………………………… | (1,644) | 6,810 |
| Minority interests………………………………………………………….. | - | - |

## STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AT JUNE 30, 2012

| *(in thousands of euros, except per share data)* | *Number of shares* | *Share capital* | *Issue premium* | *Hedging reserves* | *Consolidated reserves* | *Total equity, attributable to equity holders of parent* | *Total equity* |
|---|---|---|---|---|---|---|---|
| **Equity at January 1, 2011** | **23,974 982** | **47,950** | **866** | **(434)** | **51,115** | **99,496** | **99,496** |
| Net income for the year | - | - | - | - | 6,285 | 6,285 | 6,285 |
| **Other comprehensive income** | | | | | | | |
| Change in hedging reserves net of tax (1) | - | - | - | 527 | - | 527 | 527 |
| Changes in translation adjustments | | | | | (2) | (2) | (2) |
| *Total other comprehensive income* | - | - | - | *527* | *(2)* | 525 | 525 |
| **Comprehensive income for the period** | - | - | - | **527** | **6,283** | **6,810** | **6,810** |
| Share-based payment | | | | | 111 | 111 | 111 |
| Issue of shares/reduction in capital (2) | | | | | | | |
| **Equity at June 30, 2011** | **23,974,982** | **47,950** | **866** | **93** | **57,509** | **106,417** | **106,417** |
| **Equity at January 1, 2012** | **23,974,982** | **47,950** | **866** | - | **51,380** | **100,196** | **100,196** |
| Net income for the year | - | - | - | - | (1,635) | (1,635) | (1,635) |
| **Other comprehensive income** | | | | | | | |
| Change in hedging reserves net of tax (1) | - | - | - | - | - | - | - |
| Changes in translation adjustments | | | | | (9) | (9) | (9) |
| *Total other comprehensive income* | - | - | - | - | *(9)* | (9) | (9) |
| **Comprehensive income for the period** | - | - | - | - | **(1,644)** | **(1,644)** | **(1,644)** |
| Share-based payment | - | - | - | - | 90 | 90 | 90 |
| Issue of shares/reduction in capital (2) | - | - | - | - | - | - | - |
| **Balance at June 30, 2012** | **23,974,982** | **47,950** | **866** | - | **49,826** | **98,642** | **98,642** |

(1) These are hedging reserves (note 6.12) net of deferred tax liabilities.

(2) Changes in the share capital are detailed in note 6.8.

**CONSOLIDATED CASH FLOW STATEMENT**
**Period to June 30, 2012**

| *(in thousands of euros)* | *June 30, 2012* | *June 30, 2011* |
|---|---|---|
| Net income of consolidated companies | (1,635) | 6,285 |
| Net income from associates | (351) | (127) |
| Non-cash income and expenses | 3,877 | 7,795 |
| *- Depreciation – property, plant and equipment* | *4,897* | *5,106* |
| *- Amortization – intangible assets* | *159* | *186* |
| *- Impairment losses/reversals on intangible assets and property, plant and equipment* | *(2,536)* | *-* |
| *- Changes in provisions* | *(274)* | *(334)* |
| *- Elimination of stock option impacts* | *90* | *111* |
| *- Non-cash eliminations* | *1,346* | *2,509* |
| *- Gains and losses on disposals of non-current assets* | *195* | *218* |
| **Cash flow after net interest and tax expense** | **1,891** | **13,954** |
| *- Elimination of interest expense* | *427* | *337* |
| *- Income tax expense* | *501* | *2,753* |
| **Cash flow before net interest and tax expense** | **2,819** | **17,043** |
| Change in current working capital requirement | (7,250) | (27,714) |
| *- Inventories* | *2,356* | *(20,023)* |
| *- Trade receivables* | *(8,972)* | *(8,413)* |
| *- Trade payables* | *(926)* | *(1,924)* |
| *- Other current assets and liabilities* | *290* | *2,645* |
| Change in non-current working capital requirement | 119 | (146) |
| Impact of changes in provisions on the working capital requirement | (22) | 601 |
| Income tax expense | (1,044) | (3,149) |
| **Cash flow from operating activities** | **(5,378)** | **(13,365)** |
| Changes in the scope of consolidation | - | - |
| Purchases of property, plant and equipment, and intangible assets | (4,459) | (4,129) |
| Disposals of property, plant and equipment, and intangible assets | 4 | 1 |
| Changes in financial assets | 376 | (69) |
| **Cash flow from investment activities** | **(4,079)** | **(4,196)** |
| Increases in borrowings | - | 12 |
| Repayment of borrowings | (5,139) | (2,289) |
| Other cash flows relating to financing transactions | - | - |
| Interest income/(expense) on financial assets | (427) | (337) |
| Other movements in the share capital | - | (1) |
| **Cash flow from financing activities** | **(5,566)** | **(2,614)** |
| **Changes in cash and cash equivalents** | **(15,023)** | **(20,175)** |
| Opening cash and cash equivalents (Note 6.7) | 41,534 | 60,666 |
| Closing cash and cash equivalents (Note 6.7) | 26,511 | 40,491 |
| **Change in cash and cash equivalents** | **(15,023)** | **(20,175)** |

## NOTE 1: PRESENTATION OF THE COMPANY AND SIGNIFICANT EVENTS IN THE FIRST HALF OF 2012

### Details of the company

The Recylex group has around ten production sites and operates mainly in France, Germany and Belgium.

It specializes in recycling lead and plastic (from automobile and industrial batteries), recycling zinc from particles produced by electric arc-furnace steel mills, and producing zinc oxides and special metals most notably for the electronics industry.

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

On August 30, 2012, the Board of Directors approved and authorized publication of Recylex SA's condensed consolidated financial statements for the six months ended June 30, 2012.

### Significant events in the first half of 2012

Lead and zinc prices fluctuated sharply during the first half 2012, with a downward trend across the period. For example, during the first quarter, the price of lead peaked at €1,740 at end January and hit a low of about €1,527 in early January and in February, whilst in the second quarter, it peaked at €1,632 in May and hit a low of €1,395 at end June. The price fell most sharply in June 2012, averaging €1,479 a tonne across the month.

The price of zinc was also highly volatile with a downward trend across the period. It began the year at a low of €1,403 and peaked at €1,657 at end January. In the second quarter, it reached €1,550 in May but had fallen to €1,407 by the end of June.

Average lead and zinc prices over the first half were as follows:

| (in euros per tonne) | **First half 2012** | First half 2011 | *2011* |
|---|---|---|---|
| **Lead price** | **1,568** | 1,841 | *1,722* |
| **Zinc price** | **1,524** | 1,660 | *1,574* |

- *Lead*

The Group's plants processed about the same volume of scrap batteries in the first half of 2012 as in the year-earlier period (76,275 tonnes in the first-half 2012 vs. 77,411 tonnes).
Due to strong competition between recycling companies, scrap battery prices remained high and failed to fall as quickly as lead prices during the period. This very tight supply situation put pressure on margins in this segment.

The Nordenham smelter increased its production to a record level in first-half 2012 compared to first-half 2011 thanks to improved efficiency and productivity gains made during the period. It produced 71,743 tonnes of lead versus 63,796 in first-half 2011. No major maintenance shutdown is planned for the Nordenham smelter in 2012.

The decline in sales was therefore contained to 4% despite the 15% fall of the average of lead prices in first-half 2012 compared with first-half 2011.
The good industrial performance at the Nordenham smelter only partly offset the decline in margins on scrap battery processing and the fall in lead prices. Operating income before non-recurring items at June 30, 2012 was down sharply compared with first-half 2011.

- *Zinc*

Zinc prices fell sharply by 8% during the first half 2012. In this climate, there were contrasting trends depending on the segment:

- The zinc wastes recycling business (zinc oxides production - Norzinco GmbH) suffered a slowdown in demand, especially in the automobile and chemicals sectors. Sales therefore dropped by 18% compared with first-half 2011.
- In the Waelz oxides business, sales rose by 11% thanks to improvements enabling the production facilities of Hartz-Metall GmbH in Germany to obtain more zinc from the materials processed, coupled with better commercial terms.
  Recytech SA, which is 50%-owned by Recylex, carried out its scheduled six-week maintenance shutdown in May and June 2012.

Consequently, sales in the Zinc business fell by 8% compared with first-half 2011, although operating income before non-recurring items improved during first-half 2012 compared to first-half 2011 due to the amelioration of productivity and profitability in the Waelz oxides segment.

- *Special Metals*

With effect from January 1, 2012, the production assets and staff of the two German subsidiaries, PPM Pure Metals GmbH and Reinstmetalle Osterwieck GmbH, were combined in a single legal entity, which was then renamed “PPM Pure Metals GmbH”.

Sales in the Special Metals segment fell by a sharp 33% in first-half 2012 from a high baseline in the year-earlier period.
The decrease was driven by a sharp decline in demand in the high-purity arsenic and germanium segments.

Against this backdrop, profitability also decreased in first-half 2012 compared to first-half 2011 although the business broke even in terms of operating income before non-recurring items.

Following the strategic review of the Special Metals segment, the Recylex group has decided to focus this segment on recycling in the current market conditions and seek new operating and commercial synergies with the other activities of the Group.

- *Plastics*

Sales in the Plastics segment fell by 6% in first-half 2012, driven by falling polypropylene prices, which are indexed to oil prices which decreased. In terms of volumes, activity remained stable in France in a declining market, thanks to the loyalty of C2P customers and success in winning new customers. In Germany, the Group suffered in fall in volumes.

In this difficult environment, the Plastics business delivered a good performance, with operating income before non-recurring items similar to the first half of 2011.

**Ongoing litigation involving Metaleurop Nord SAS**

The legal claims lodged against Recylex SA by former employees of Metaleurop Nord SAS and by the liquidators of Metaleurop Nord SAS are still ongoing:

- Former Metaleurop Nord non-managerial employees

On June 27, 2008, the industry section of the Lens labor tribunal found that Recylex SA was the co-employer of 493 former non-managerial employees of Metaleurop Nord SAS, and awarded each claimant €30,000 as damages and €300 in costs. The tribunal decided, however, to include these sums, for a total of €14.9 million, in the liabilities to be paid over time by Recylex SA, in accordance with the terms of its continuation plan approved by the Paris Commercial Court on November 24, 2005. The Company appealed against these decisions.

On December 18, 2009 (460 rulings given) and December 17, 2010 (8 rulings given), the Douai Appeal Court partially upheld the Lens labor tribunal's decisions and granted damages totaling approximately €12.6 million to 468 unprotected former employees, ordering that these sums be included in Recylex SA's liabilities, payable in installments within the framework of its continuation plan. In accordance with the Company's continuation plan, 44% of these damages, totaling approximately €5.5 million, corresponding to the first six installments of the plan (November 2006 to November 2011) have been paid to date. The balance, totaling approximately €7.1 million, will be paid in installments in accordance with the Company's continuation plan until November 2015.

On September 28, 2011, the employment division of the *Cour de Cassation* rejected the appeals lodged by the Company against the 460 rulings of the Douai Appeal Court given on December 18, 2009. The *Cour de Cassation* is due to deliberate on Recylex's appeals against the 8 rulings delivered on December 17, 2010 by the Douai Appeal Court on September 12, 2012.

In its rulings of December 18, 2009, the Douai Appeal Court had also rejected the claims of 22 protected former employees (staff representatives, works council members, trade union delegates). On September 28, 2011, the employment division of the *Cour de Cassation* decided to reject the appeals lodged by these former employees against these decisions.

On March 30, 2012, the Douai Appeal Court rejected the subsidiary claims made against Recylex SA by 3 former employees who were made redundant before Metaleurop Nord SAS went into liquidation. It upheld the claim that these former employees had been made redundant without just and serious cause and set the amount of damages to be included in the liabilities of Metaleurop Nord SAS in liquidation at between €15,000 and €30,000 per employee. The liquidators of Metaleurop Nord have decided to appeal before the *Cour de Cassation*.

Lastly, the Industrial Section of the Lens labor tribunal is due to deliberate on the claims for damages made in 2010 by 137 former Metaleurop Nord employees, who were not party to the initial proceedings, on October 16, 2012. The total amount of the claims – approximately €6.9 million – has been provided for in full in the Company's financial statements.

- Former Metaleurop Nord managerial employees

On September 15 and 30, 2009 and February 26, 2010, the Management section of the Lens labor tribunal awarded each of the 91 former managerial employees of Metaleurop Nord SAS an identical sum of €30,000 as damages and €300 in costs, ruling that Recylex SA had been their co-employer, and ordered that the sums should be included in the liabilities of Recylex SA, payable in installments under its continuation plan. The Company appealed against these decisions.

On December 17, 2010, the Douai Appeal Court partially upheld the Lens labor tribunal's decisions, ruling that Recylex SA was a co-employer of the former managerial employees of Metaleurop Nord SAS. The Appeal Court granted 84 unprotected former managerial employees damages of between €20,000 and €50,000 and €500 in costs, totaling approximately €3.6 million, and ruled that these sums should be included to the liabilities of Recylex SA paid in installments under its continuation plan. Recylex SA decided to appeal against these decisions in the *Cour de Cassation*. In accordance with the terms of the plan, 44% of these damages, or a total of around €1.6 million, corresponding to the first six installments of the plan (November 2006 to November 2011) have been paid to date. The remaining €2 million will be paid in installments in accordance with the Company's continuation plan until November 2015, subject to the deliberation of the *Cour de Cassation* set for September 12, 2012.

In addition, on December 17, 2010, the Douai Appeal Court also rejected the claims for damages made by six former protected managerial employees. The decision of the employment division of the *Cour de Cassation* concerning the appeals lodged by these parties against these rulings is set for September 12, 2012.

On May 31, 2012, the Douai Appeal Court overturned the Lens labor tribunal's ruling ordering damages of €30.000 and €300 in costs to be paid to a former employee who was made redundant before Metaleurop Nord SAS went into liquidation, pronouncing the claims inadmissible.

Lastly, the Management Section of the Lens labor tribunal is due to deliberate on the claims for damages made in 2010 by 55 former Metaleurop Nord employees, who were not party to the initial proceedings, on October 16, 2012. The total amount of the claims – approximately €3 million – has been provided for in full in the Company's financial statements.

- The liquidators of Metaleurop Nord SAS

The lawsuit brought by the liquidators of Metaleurop Nord SAS, claiming the repayment by Recylex SA of Metaleurop Nord SAS's liabilities up to an amount of about €50 million, was rejected on February 27, 2007 by the Bethune Regional Court, which found that Recylex SA was not the *de facto* manager of Metaleurop Nord SAS. No provision has been recognized in Recylex SA's financial statements. The liquidators have appealed against 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'Etat for a judgment on a point of law.

Recylex SA had argued that the claim brought by the liquidators of Metaleurop Nord SAS was inadmissible on the grounds that the liquidators had failed to state their claim in accordance with the law in the context of Recylex's court-supervised recovery procedure begun on November 13, 2003. The liquidators relied on a regulatory provision that they claim discharged them from having to declare their claim in that manner. On May 20, 2011, the *Conseil d'Etat* rejected Recylex SA's application considering that the regulatory provision in question was legal.

The case was heard by the Douai Appeal Court on April 12, 2012 and the date of the ruling was initially set for June 28, 2012 and then adjourned to September 19, 2012.

The claim for repayment of liabilities has not been included in the continuation plan approved by the Paris Commercial Court on November 24, 2005 and has not been provided for in the Company's financial statements given the favorable ruling delivered in first instance by the Béthune Regional Court. Should the final outcome of these proceedings go against Recylex SA, execution of the continuation plan could be jeopardized.

**Description of the main risks and uncertainties for the second half of 2012**

The main risks likely to impact the Group's financial position and results in the second half of 2012 are the outcome of the claim made by the liquidators of Metaleurop Nord SAS up to a maximum of about €50 million, which will be known at the appeal stage on September 19, 2012, and trends in lead and zinc prices relative to the purchase cost of secondary materials.

**NOTE 2. SIGNIFICANT ACCOUNTING METHODS**

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 consolidated interim financial statements at June 30, 2012 were 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, 2011.

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 pro rata based on 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 condensed interim financial statements are the same as those used in the consolidated financial statements for the financial year ended December 31, 2011.

International accounting standards include International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and their interpretations issued by the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC).

All standards and interpretations adopted by the European Union are available on the European Commission's website at:

*http://ec.europa.eu/internal_ market/accounting/ias/index_en.htm*

**2.1. New standards**

The following standards are applicable as of January 1, 2012 but do not have any material impact on the financial statements.

- Amendments to IFRS 7 "Disclosures of Transfers of Financial Assets" effective from July 1, 2011. This standard was adopted by the European Union on November 23, 2011.

The following new standards, amendments to existing standards and interpretations had been published but were not applicable at June 30, 2012, and have not been adopted early by the Group:

- IFRS 9* "Financial Instruments" applicable from January 1, 2015 and not yet adopted by the European Union.

- Amendment to IAS 27* "Separate Financial Statements" applicable from January 1, 2013. The EFRAG has proposed that its application date be postponed to January 1, 2014.

- Amendment to IAS 28* "Investments in Associates". IAS 28 has been modified to bring it into line with changes made following the publication of IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities". The mandatory application date has been set at January 1, 2013 but the EFRAG has proposed postponement to January 1, 2014.

- IFRS 10* "Consolidated Financial Statements". The mandatory application date has been set by the IASB at January 1, 2013 but the EFRAG has proposed postponement to January 1, 2014.

- IFRS 11* "Joint Arrangements" supersedes IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". The new standard is due to come into force on January 1, 2013 but the EFRAG has proposed its postponement to January 1, 2014.

- IFRS 12* "Disclosure of Interests in Other Entities". The objective of IFRS 12 is to require the disclosure of information that enables users of financial statements to evaluate the basis of control, restrictions on consolidated assets and liabilities, risk exposure resulting from interests in unconsolidated structured entities and the involvement of minority interests in the activity of consolidated entities. IFRS 12 is applicable from January 1, 2013 but the EFRAG has proposed postponement to January 1, 2014.

- IFRS 13* "Fair Value Measurement". The effective date set by the IASB covers financial reporting periods starting on or after January 1, 2013. This standard has not yet been adopted by the European Union.

- Amendments to IFRS 1* "Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters" applicable from July 1, 2011.

- Amendments to IAS 1 "Presentation of Other Comprehensive Income Items" applicable for financial years beginning on or after July 1, 2012. This standard was adopted by the European Union on June 5, 2012.

- Amendments to IAS 12* "Deferred Tax: Recovery of Underlying Assets." These amendments introduce the presumption that recovery of the carrying amount of an underlying asset will be through its sale unless the entity can prove that recovery will take a different form. These amendments are applicable for financial years beginning on or after January 1, 2012;

- Amendments to IAS 19 "Defined Benefit Plans" applicable from January 1, 2013. This standard was adopted by the European Union on June 5, 2012.

- Amendments to IFRS 1* "Government Loans" applicable from January 1, 2013.

- Amendments to IFRS 7* "Disclosures – Offsetting of Financial Assets and Financial Liabilities" applicable from January 1, 2013.

- Amendments to IAS 32* "Offsetting of Financial Assets and Financial Liabilities" applicable from January 1, 2014.

- IFRIC 20* "Stripping Costs in the Production Phase of a Surface Mine" applicable as of January 1, 2013.

* Standards not yet adopted by the European Union

### 2.2. Use of estimates

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

In preparing the condensed consolidated interim financial statements, other than the points mentioned below, the significant judgments 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, 2011. These estimates were made against the backdrop of high volatility in lead and zinc prices and in the euro/dollar exchange rate. Uncertain market conditions for these inputs have created specific conditions in terms of preparing the financial statements, particularly with regard to the accounting estimates that are required in accordance with accounting standards. These conditions, which already existed at the end of the 2011 financial year, are described in Note 1.

In the first six months of 2012, management reviewed its estimates concerning:

- Provisions (see note 6.10)

## NOTE 3: SCOPE OF CONSOLIDATION

The scope of consolidation did not change in the first half of 2012 relative to December 31, 2011.

## 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:

- **Lead**
- **Zinc**
- **Special Metals**
- **Plastics**
- **Other Businesses**

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). It then reconciles these data with accounts prepared in accordance with IFRS, in which the average weighted cost (AWC) method is used.

The Other Businesses segment includes rehabilitation of old sites and unallocated costs.

## Operating segments

The tables below set out, for each operating segment, total sales, IFRS-compliant operating income before non-recurring items (and for the Lead segment, operating income before non-recurring items using the LIFO method), net financial items, tax expenses and net income for the six-month periods ended June 30, 2011 and 2012.

Each column below presents the figures for each segment, as an independent entity. The "Eliminations" column shows eliminations of intragroup transactions, allowing reconciliation of segment data with the Group's financial statements.

All inter-segment commercial relationships are conducted on an arm's length basis, on identical terms and conditions to those prevailing for the provision of goods and services to external customers.

**Period to June 30, 2012:**

| *(in thousands of euros)* | ***Lead*** | ***Zinc*** | ***Special metals*** | ***Plastics*** | ***Other businesses*** | ***Eliminations*** | ***Total*** |
|---|---|---|---|---|---|---|---|
| Sales to external customers | 174,846 | 40,399 | 10,516 | 6,604 | 12 | | 232,377 |
| Inter-segment sales | 2,550 | - | 19 | 690 | - | (3,259) | - |
| **Total sales** | **177,396** | **40,399** | **10,535** | **7,294** | **12** | **(3,259)** | **232,377** |
| **Operating income before non-recurring items (LIFO)** | **130** | **3,168** | **0** | **630** | **(2,181)** | **-** | **1,747** |
| LIFO -> AWC adjustment | (2,127) | - | **-** | **-** | **-** | **-** | **(2,127)** |
| **Reported operating income before non-recurring items (IFRS)** | **(1,997)** | **3,168** | **0** | **630** | **(2,181)** | **-** | **(380)** |
| Other non-recurring operating income/(expense) | (97) | 2,657 | (383) | (41) | (1,533) | - | **603** |
| Net financial income | (340) | (87) | (68) | (6) | (1,208) | - | **(1,709)** |
| Income tax benefit/(expense) | 663 | (1,427) | (62) | (180) | 506 | - | **(500)** |
| Share in income of associates | 351 | - | - | - | - | **-** | **351** |
| **Reported net income (IFRS)** | **(1,420)** | **4,311** | **(513)** | **403** | **(4,416)** | **-** | **(1,635)** |

| *(in thousands of euros)* | **Lead** | **Zinc** | **Special metals** | **Plastics** | **Other businesses** | **Total** |
|---|---|---|---|---|---|---|
| Intangible assets .................................... | 252 | 469 | 865 | - | 4 | 1,590 |
| Property, plant and equipment ................ | 40,421 | 20,360 | 7,561 | 2,263 | 3,131 | 73,736 |
| Inventories[1] ........................................... | 54,496 | 7,389 | 15,804 | 2,036 | - | 79,725 |
| Trade receivables................................... | 18,881 | 6,354 | 2,623 | 2,531 | 2 | 30,391 |
| **Total segment assets** | **114,050** | **34,572** | **26,853** | **6,830** | **3,137** | **185,442** |
| Provisions and pension liabilities............. | 16,991 | 2,539 | 1,636 | 95 | 45,466 | 66,727 |
| Trade payables ...................................... | 14,726 | 3,927 | 1,167 | 803 | 42 | 20,665 |
| Other current liabilities ............................ | 6,760 | 9,344 | 1,137 | 775 | 5,863 | 23,879 |
| **Total segment liabilities** | **38,476** | **15,810** | **3,940** | **1,674** | **51,371** | **111,271** |
| Property, plant and equipment ................ | 2,188 | 2,343 | 182 | 68 | 11 | 4,792 |
| Intangible assets .................................... | 3 | - | - | - | - | 3 |
| **Investments** | **2,191** | **2,343** | **182** | **68** | **11** | **4,795** |
| Property, plant and equipment | (2,767) | (1,494) | (396) | (175) | (65) | (4,897) |
| Intangible assets | (99) | (36) | (22) | - | (3) | (160) |
| Other non-cash income and expenses[2] | 28 | 2,553 | (163) | (61) | (1,157) | 1,200 |
| ***Amortization, depreciation and additions to provisions*** | **(2,838)** | **1,023** | **(581)** | **(236)** | **(1,225)** | **(3,857)** |

[1] Inventories in the Lead segment, measured using the LIFO method, totaled €40,829 thousand at June 30, 2012.
[2] Excluding releases of provisions used.

**Period to June 30, 2011:**

| *(in thousands of euros)* | ***Lead*** | ***Zinc*** | ***Special metals*** | ***Plastics*** | ***Other businesses*** | ***Eliminations*** | ***Total*** |
|---|---|---|---|---|---|---|---|
| Sales to external customers | 182,165 | 43,890 | 15,641 | 7,079 | - | - | 248,775 |
| Inter-segment sales | 3,089 | - | 10 | 771 | - | (3,870) | - |
| **Total sales** | **185,254** | **43,890** | **15,651** | **7,850** | **-** | **(3,870)** | **248,775** |
| **Operating income before non-recurring items (LIFO)** | **2,483** | **2,918** | **1,353** | **669** | **(2,172)** | **-** | **5 251** |
| LIFO -> AWC adjustment | 7,402 | - | **-** | **-** | **-** | **-** | **7,402** |
| **Reported operating income before non-recurring items (IFRS)** [3] | **9,885** | **2,918** | **1,353** | **669** | **(2,172)** | **-** | **12,653** |
| Other non-recurring operating income/(expense) | - | 3 | (6) | - | (657) | - | **(660)** |
| Net financial income | (3,068) | (108) | (139) | (8) | 241 | - | **(3,082)** |
| Income tax benefit/(expense) | (1,447) | (1,033) | (143) | (229) | 99 | - | **(2,753)** |
| Share in income of associates | 127 | - | - | - | - | **-** | **127** |
| **Reported net income (IFRS)** | **5,497** | **1,780** | **1,065** | **432** | **(2,489)** | **-** | **6,285** |

| *(in thousands of euros)* | **Lead** | **Zinc** | **Special metals** | **Plastics** | **Other businesses** | **Total** |
|---|---|---|---|---|---|---|
| Intangible assets .................................... | 362 | 542 | 909 | - | 6 | 1,819 |
| Property, plant and equipment ................ | 42,192 | 15,496 | 7,925 | 2,385 | 3,393 | 71,391 |
| Inventories[4] ........................................... | 72,473 | 5,604 | 11,981 | 1,170 | - | 91,228 |
| Trade receivables................................... | 30,077 | 7,426 | 3,603 | 1,748 | - | 42,854 |
| **Total segment assets** | **145,104** | **29,068** | **24,418** | **5,303** | **3,399** | **207,292** |
| Provisions and pension liabilities............ | 16,690 | 2,518 | 1,727 | 69 | 48,123 | 69,127 |
| Trade payables ...................................... | 26,834 | 5,053 | 704 | 755 | 700 | 34,046 |
| Other current liabilities ........................... | 11,469 | 5,053 | 946 | 606 | 4,250 | 22,324 |
| **Total segment liabilities** | **54,998** | **12,624** | **3,376** | **1,430** | **53,073** | **125,500** |
| Property, plant and equipment ................ | 1,374 | 2,381 | 212 | 42 | 22 | 4,031 |
| Intangible assets .................................... | 31 | 4 | - | - | - | 35 |
| **Investments** | **1,405** | **2,385** | **212** | **42** | **22** | **4,065** |
| Property, plant and equipment | (2,997) | (1,502) | (384) | (154) | (69) | (5,106) |
| Intangible assets | (125) | (38) | (22) | - | (2) | (186) |
| Other non-cash income and expenses[5] | (1,000) | (47) | 36 | (4) | (80) | (1,095) |
| ***Amortization, depreciation and additions to provisions*** | **(4,122)** | **(1,587)** | **(370)** | **(158)** | **(151)** | **(6,387)** |

[4] Inventories in the Lead segment, measured using the LIFO method, totaled €48,516 thousand at June 30, 2011.
[5] Excluding releases of provisions used.

### 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 to June 30, 2012

| *(in thousands of euros)* | ***Western Europe*** | ***Rest of Europe*** | ***Americas*** | ***Rest of the world*** | ***Total*** |
|---|---|---|---|---|---|
| Total sales | 184,612 | 42,168 | 1,385 | 4,212 | 232,377 |

| *(in thousands of euros)* | ***France*** | ***Germany*** | ***Belgium*** | ***Total*** |
|---|---|---|---|---|
| Investment in property, plant and equipment | 2,231 | 2,374 | 186 | 4,792 |
| Investment in intangible assets | - | 3 | - | 3 |

#### Period to June 30, 2011

| *(in thousands of euros)* | ***Western Europe*** | ***Rest of Europe*** | ***Americas*** | ***Rest of the world*** | ***Total*** |
|---|---|---|---|---|---|
| Total sales | 199,512 | 38,643 | 2,066 | 8,554 | 248,775 |

| *(in thousands of euros)* | ***France*** | ***Germany*** | ***Belgium*** | ***Total*** |
|---|---|---|---|---|
| Investment in property, plant and equipment | 1,288 | 2,677 | 66 | 4,031 |
| Investment in intangible assets | 11 | 24 | - | 35 |

### Structure of sales

Sales in the Lead segment come from a limited number of customers. In the first half of 2012, the top ten customers accounted for 59% of the Group's consolidated sales (vs. 61% in the year-earlier period). One of these customers accounted for more than 10% of consolidated sales in the first half of 2012. 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, 2012* | *June 30, 2011* |
|---|---|---|
| General sub-contracting | (6,195) | (6,563) |
| Maintenance and repairs | (4,421) | (5,817) |
| Insurance premiums | (847) | (793) |
| Goods transportation and public transportation | (9,131) | (9,719) |
| Leasing, rental and service charges | (1,013) | (1,085) |
| Fees and external labor costs | (1,816) | (1,961) |
| Travel and entertainment expenses | (353) | (391) |
| Other external expenses | (1,031) | (1,162) |
| **Total external costs** | **(24,807)** | **(27,491)** |

### Note 5.2. Depreciation, amortization and impairment losses

Depreciation, amortization and impairment losses recognized in the six months to June 30, 2012 and June 30, 2011 break down as follows:

| *(in thousands of euros)* | *June 30, 2012* | *June 30, 2011* |
|---|---|---|
| Depreciation of property, plant and equipment | (4,897) | (5,106) |
| Amortization of intangible assets | (160) | (186) |
| Provisions and impairment losses | (31) | (712) |
| **Total depreciation, amortization and impairment losses** | **(5,088)** | **(6,004)** |

### Note 5.3. Other non-recurring operating income and expense

This item includes income and expense that is unusual in frequency, nature or amount.

| *(in thousands of euros)* | *June 30, 2012* | *June 30, 2011* |
|---|---|---|
| Proceeds from asset disposals | 92 | 27 |
| Environmental provision (1) | (1,415) | (483) |
| Cost of rehabilitating old sites | (224) | - |
| Reversal of unused provision for labor tribunal disputes | 141 | - |
| Internal restructuring costs | (382) | |
| Other income and expenses | (172) | (143) |
| Additions to provision for labor tribunal industrial section dispute | - | (61) |
| Reversal of provision for impairment of Harz Metall GmbH industrial assets - Zinc (2) | 2,563 | - |
| **Other non-recurring operating income and expense** | **603** | **(660)** |

(1) Additional environmental provision related mainly to the L'Estaque plant.
(2) See note 6.2 (impairment testing)

### Note 5.4. Net interest expense

Interest expense on net debt breaks down as follows:

| *(in thousands of euros)* | *June 30, 2012* | *June 30, 2011* |
|---|---|---|
| Interest income from cash and cash equivalents | 150 | 223 |
| Interest expense on bank and non-bank borrowings and bank overdrafts | (577) | (560) |
| **Net interest expense** | **(427)** | **(337)** |

### Note 5.5. Other financial income and expense

| *(in thousands of euros)* | *June 30, 2012* | *June 30, 2011* |
|---|---|---|
| Revenue from other receivables and short-term investments | - | 3 |
| Net foreign exchange gains and losses | 110 | 100 |
| Impact of discounting provisions and liabilities | (1,361) | 80 |
| Factoring costs | (353) | (462) |
| Other financial income and expense | 323 | (2,466) |
| **Other financial income and expense** | **(1,281)** | **(2,745)** |

Financial expense arising from the impact of discounting provisions and liabilities is partly due to a decrease in discount rates and partly to the unwinding of the discount.
Other financial income and expense mainly comprise the unrealized gain on financial instruments (hedging of trading risks) not qualifying for hedge accounting under IAS 39 at June 30, 2012 (Note 6.12).

### Note 5.6. Income tax expense

Income tax expense for the six-month periods to June 30, 2012 and June 30, 2011 principally comprises the following items:

| *(in thousands of euros)* | *June 30, 2012* | *June 30, 2011* |
|---|---|---|
| Current income tax benefit/(expense) | (910) | (1,446) |
| **Current income tax benefit/(expense)** | **(910)** | **(1,446)** |
| Arising from the creation and reversal of temporary differences | 409 | (1,307) |
| Related to tax loss carryforwards | - | - |
| **Deferred income tax benefit/(expense)** | **409** | **(1,307)** |
| **Consolidated income tax benefit/(expense)** | **(501)** | **(2,753)** |

**Reconciliation between actual and theoretical tax charges**

| *(in thousands of euros)* | *June 30, 2012* | *June 30, 2011* |
|---|---|---|
| Net income before tax | (1,485) | 8,911 |
| Group tax rate | 33.33% | 33.33% |
| **Theoretical tax charge** | **495** | **(2,970)** |
| Increase or decrease in income tax expense resulting from: | | |
| - use and derecognition of tax loss carryforwards | (750) | 287 |
| - taxes and reduced rates | 33 | 170 |
| - other permanent differences | (279) | (240) |
| **Actual tax expense** | **(501)** | **(2,753)** |

**Deferred tax assets and liabilities**

| *(in thousands of euros)* | *June 30, 2012* | *Dec. 31, 2011* |
|---|---|---|
| *Deferred tax assets* | | |
| Provisions added back for tax purposes | 7,361 | 7,350 |
| Additional provision for employee benefits | 2,092 | 2,092 |
| Additional provision for impairment of non-current assets | 488 | 1,237 |
| Change in inventory valuation method at German units | - | - |
| Deferred tax on hedge accounting | 37 | 37 |
| Other temporary differences | 527 | 560 |
| Tax loss carryforwards | 3,733 | 3,734 |
| Offset of deferred tax assets and liabilities at the same taxable entity | (7,805) | (8,280) |
| **Total** | **6,433** | **6,730** |
| *Deferred tax liabilities* | | |
| Restatement of expected useful life of non-current assets | (4,495) | (4,775) |
| Change in inventory valuation method at German units | (4,547) | (5,138) |
| Discounting of provisions and liabilities | (669) | (1,065) |
| Deferred tax on hedge accounting | (90) | (1) |
| Other temporary differences | (407) | (411) |
| Offset of deferred tax assets and liabilities at the same taxable entity | 7,805 | 8,280 |
| **Total** | **(2,403)** | **(3,110)** |
| **Net deferred taxes** | **4,030** | **3,620** |

As the Group could not reasonably plan to make further use of deferred tax assets over the following three years, it decided to write down deferred tax assets beyond that period.

For the period ended June 30, 2012, the Group opted to limit the amount of deferred tax assets recognized in respect of tax losses to the forecast tax calculated for the following three years. The deferred tax assets arising on tax loss carryforwards recognized by the Group amounted to €3.7 million at June 30, 2012.

The Group holds tax losses that may be carried forward indefinitely against the future taxable income of companies that generated these losses.

The estimated amount of these tax losses at June 30, 2012 was €173 million, i.e.:

- €129 million at French units;
- €44 million at German subsidiaries.

## 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

| | *June 30, 2012* | *June 30, 2011* |
|---|---|---|
| Net income Group share (in thousands of euros) | (1,635) | 6,285 |
| Weighted average number of ordinary shares used to calculate basic earnings per share | 23,932,043 | 23,932,043 |
| **Earnings per share in euros** | **(0.07)** | **0.263** |

| | *June 30, 2012* | *June 30, 2011* |
|---|---|---|
| Net income Group share (in thousands of euros) | (1,635) | 6,285 |
| Weighted average number of ordinary shares used to calculate basic earnings per share | 23,932,043 | 23,932,043 |
| Impact of dilution: | | |
| Stock options (with dilutive impact) | 600,900 | 600,900 |
| Weighted average number of ordinary shares adjusted for diluted earnings per share | 24,532,943 | 24,532,943 |
| **Diluted earnings per share in euros** | **(0.07)** | **0.256** |

## NOTE 6: NOTES TO THE STATEMENT OF FINANCIAL POSITION

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

a) Intangible assets, property, plant & equipment and goodwill at June 30, 2012 and December 31, 2011

| *(in thousands of euros)* | *Gross values* | *Depreciation and amortization* | *Impairment losses* | *Net values 06/30/2012* | *Gross values 12/31/2011* |
|---|---|---|---|---|---|
| **Intangible assets** | | | | | |
| Goodwill...................................................... | 792 | - | (792) | - | - |
| Concessions, patents, licenses, etc........... | 9,457 | (7,867) | - | 1,590 | 1,747 |
| Other intangible assets | - | - | - | - | - |
| **Total intangible assets** | **10,249** | **(7,867)** | **(792)** | **1,590** | **1,747** |
| **Property, plant and equipment** | | | | | |
| Land .......................................................... | 5,393 | (474) | - | 4,919 | 4,919 |
| Buildings.................................................... | 115,142 | (92,667) | - | 22,475 | 23,321 |
| Plant and tools........................................... | 219,216 | (180,253) | (2,630) | 36,333 | 33,764 |
| Assets in progress..................................... | 5,945 | (121) | - | 5,824 | 5,212 |
| Other | 22,140 | (17,955) | - | 4,185 | 4,288 |
| **Total property, plant & equipment** | **367,836** | **(291,470)** | **(2,630)** | **73,736** | **71,504** |
| **Total intangible assets and property, plant & equipment** | **378,085** | **(299,337)** | **(3,422)** | **75,326** | **73,252** |

b) Change in intangible assets, property, plant & equipment and goodwill between January 1, 2012 and June 30, 2012

| *(in thousands of euros)* | ***Net values*** |
|---|---|
| **Net carrying amount after depreciation, amortization and impairment losses at December 31, 2011**............................................................................... | **73,252** |
| Additions ........................................................................................................ | 4,795 |
| Depreciation and amortization expense for the period ............................................ | (5,057) |
| Impairment losses for the period ............................................................................. | (27) |
| Disposals ........................................................................................................ | (200) |
| Reversals of depreciation and amortization during the period................................. | 2,563 |
| Other ........................................................................................................ | **-** |
| **Net carrying amount after depreciation, amortization and impairment losses at June 30, 2012**......................................................................... | **75,326** |

**Note 6.2. Impairment testing**

The Group did not consider it necessary to perform impairment tests at June 30, 2012. Impairment tests are performed annually on December 31 of each year.

There was no evidence of further impairment at June 30, 2012.

However, following confirmation of an improvement in profitability at the Harz Metall GmbH CGU in the Zinc segment during the first half 2012, the Group reversed the entire €2.6 million impairment provision recognized in respect of production assets on December 31, 2008.

At June 30, 2012, the Group's impairment provisions in respect of production assets totaled €2.6 million and related to entirely to the C2P Germany GmbH CGU.

**Note 6.3. Other non-current financial assets**

Non-current financial assets (€4.6 million) mainly comprise funds received by Harz-Metall GmbH in the amount of €4.5 million following the agreement reached with TUI AG in 2009. These funds are dedicated to the future rehabilitation of certain sites of the Group in Germany, the cost of which has been provisioned.

**Note 6.4. Inventories**

Inventories held by the Group break down as follows:

| *(in thousands of euros)* | *June 30, 2012* | *December 31 2011* |
|---|---|---|
| Raw materials | 30,051 | 38,031 |
| Work in progress | 35,586 | 32,263 |
| Finished and semi-finished goods | 17,157 | 14,856 |
| Sub-total | 82,794 | 85,150 |
| Less: Impairment losses | (3,069) | (2,746) |
| **Net value of inventories and work in progress** | **79,725** | **82,404** |

The decrease in inventories is due mainly to the lower volumes held at the main Nordenham smelter.

**Note 6.5. Trade receivables**

Trade receivables of the Group break down as follows:

| *(in thousands of euros)* | *June 30, 2012* | *December 31 2011* |
|---|---|---|
| Trade receivables | 34,980 | 26,008 |
| Less: Impairment losses | (4,589) | (4,945) |
| **Net value of trade receivables** | **30,391** | **21,063** |

The increase in trade receivables is due principally to higher sales at the main Nordenham smelter in the second quarter of 2012 compared with the final quarter of 2011.

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

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

At June 30, 2012, only receivables not yet due on the balance sheet date under recourse factoring agreements were recognized as trade receivables in accordance with IAS 39. The amount derecognized, corresponding to non-recourse factoring agreements, was €16,075 thousand (vs. €15,312 thousand at December 31, 2011).

**Note 6.6. Other current assets**

Other current assets break down as follows:

| *(in thousands of euros)* | *June 30, 2012* | *December 31 2011* |
|---|---|---|
| Advances and downpayments on orders in progress | 260 | 1,291 |
| Social security receivables | 503 | 160 |
| Tax receivables | 3,476 | 1,125 |
| Other receivables | 3,813 | 1,287 |
| Prepaid expenses | 502 | 259 |
| **Total other current assets** | **8,554** | **4,122** |

The increase in tax receivables was mainly due to VAT prepayments made by the Group's German units.

### Note 6.7. Cash and cash equivalents

The Group's cash and cash equivalents include:

| *(in thousands of euros)* | *June 30, 2012* | *December 31, 2011* |
|---|---|---|
| Cash at bank and in hand | 29,930 | 37,808 |
| Other short-term investments | 3,581 | 3,726 |
| **Gross cash assets** | **33,511** | **41,534** |
| Bank overdraft facilities | (7,000) | - |
| **Total net cash and cash equivalents on cash flow statement** | **26,511** | **41,534** |

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

The decrease in net cash and cash equivalents was primarily due to:

- a sharp rise in the working capital requirement following the increase in trade receivables (Note 6.5);
- repayment of loans by the German units (Note 6.9) and
- investments (Note 6.1).

At June 30, 2012, the Group had €2,540 thousand of available undrawn credit facilities for which drawdown conditions were satisfied (€8,147 thousand at December 31, 2011).

### Note 6.8. Equity

**Issued capital and issue premium**

The share capital comprised 23,974,982 fully paid-up shares with par value of €2 each at June 30, 2012.

At June 30, 2012, the Group held 42,939 treasury shares, as it did at December 31, 2011. 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)*** | ***Issue premium (in thousands of euros)*** |
|---|---|---|---|
| At January 1, 2012 | 23,974,982 | 47,950 | 866 |
| Issuance of shares following exercise of stock options during first half of 2012 | - | - | - |
| **At June 30, 2012** | **23,974,982** | **47,950** | **866** |

There was no change in the share capital between January 1, 2012 and June 30, 2012.

**Stock options and free share allocations**

The Shareholders' Meeting of March 30, 2000, authorized the introduction of stock option plans. Under this authorization the Management Board granted stock options on September 20, 2002.
On September 26, 2008, Recylex SA's Board of Directors also granted stock options under the authorization given by the Shareholders' Meeting of July 28, 2006.

*Stock options*

The options granted are equity-settled share-based payment transactions within the meaning of IFRS 2.

The main characteristics of stock option plans in force during the first half of 2012 and likely to give rise to the creation of shares through the exercise of options are as follows:

| ***Date of grant by Management Board/Board of Directors*** | ***09/20/02*** | ***09/26/08*** |
|---|---|---|
| Number of options granted | 275,650 | 540,000 |
| Subscription price | €2.21 | €5.70 |
| Vesting period | 4 years | 4/5 years[1)] |
| Life of options | 10 years | 10 years |

*[1)] 50% of options vest after a period lasting four years from the date of the relevant Board meeting, and the remaining 50% after a period lasting 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 group in which it 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 in the first half of 2012 break down as follows:

| Date of grant | Number of options outstanding at 12/31/11 | Number of options reintegrated during the period | Number of options exercised during the period | Number of options lapsed during the period | Number of options outstanding at 06/30/12 | Exercise price (in euros) | Plan expiry |
|---|---|---|---|---|---|---|---|
| 09/20/02 | 65,900 | - | - | - | 65,900 | 2.21 | 09/20/2012 |
| 09/26/08 | 535,000 | - | - | - | 535,000 [1)] | 5.7 | 09/26/2018 |
| **Total** | **600,900** | **-** | **-** | **-** | **600,900** | **5.3** | |

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

The Shareholders' Meeting of May 7, 2010 granted the Board of Directors authorization to allocate stock options to employees and corporate officers of the Company and of related companies. The Company did not introduce any stock option plans during the first half of 2012.

*Free shares*

The Shareholders' Meetings of July 16, 2007 and May 6, 2008 authorized 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 corporate 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 authorization granted by the above Shareholders' Meetings, on September 26, 2008 the Board of Directors of Recylex SA voted to implement a plan to allocate 50,000 free shares to the Group's employees and corporate officers. The 31,000 free shares allocated to beneficiaries residing in France vested after a two-year period (i.e. on September 27, 2010 as September 26, 2010 was not a trading day) whilst the 19,000 free shares allocated to beneficiaries residing in Germany will vest after a four-year period (i.e. on September 26, 2012), 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 Shareholders' Meeting of May 7, 2010 granted the Board of Directors authorization to allocate existing shares held in treasury on that date as free shares to employees and corporate officers of the Company and of related companies. The Company did not introduce any free allocations of shares during the first half of 2012 under this authorization.

**Number of instruments in circulation and/or in the vesting period**

Transactions in the first half of 2012 involving share-based payment instruments can be summarized as follows:

| | **Stock options** | | **Free shares** | | |
|---|---|---|---|---|---|
| | Number of options | Contractual residual life | Number of shares | Contractual residual life | |
| | | Total | | France | Germany |
| **Balance at 12/31/2011** | **600,900** | **6.08** | **19,000** | **0** | **0.77** |
| - reintegrated | - | - | - | - | - |
| - canceled/lapsed | - | - | - | - | - |
| - exercised/vested | - | - | - | - | - |
| **Balance at 06/30/2012** | **600,900** | **5.58** | **19,000** | **0** | **0.27** |

**Accounting impact of instruments allotted in 2008**

In accordance with IFRS 2, share-based payment instruments are recognized 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 expense amount for the first half of 2012 was €81 thousand for stock options and €7 thousand for free shares.

### Note 6.9. Interest-bearing borrowings

#### Analysis of borrowings

| *Current portion of borrowings and other financial liabilities* | *June 30, 2012 (in thousands of euros)* | *December 31, 2011 (in thousands of euros)* |
|---|---|---|
| Portion due in less than one year (1) | 7,472 | 5,635 |
| Discounted receivables | - | - |
| **Total** | **7,472** | **5,635** |

| *Non-current borrowings and financial liabilities* | *June 30, 2012 (in thousands of euros)* | *December 31, 2011 (in thousands of euros)* |
|---|---|---|
| Portion due in more than one year | 1,795 | 1,771 |
| **Total** | **1,795** | **1,771** |

(1) Including €7,000 thousand in utilized credit facilities (€403 thousand at December 31, 2011). Bank borrowings have therefore decreased by €4,760 thousand.

#### Repayment schedule of non-current borrowings

| *(in thousands of euros)* | *June 30, 2012* | | | *December 31, 2011* |
|---|---|---|---|---|
| | *One to five years* | *Over five years* | *Total* | |
| Bank borrowings | 1,795 | - | 1,795 | 1,771 |
| **Interest-bearing borrowings** | **1,795** | | **1,795** | **1,771** |

### Note 6.10. Provisions

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

| *(in thousands of euros)* | *Environmental provisions* | *Litigation* | *Restructuring* | *Other* | *Total* |
|---|---|---|---|---|---|
| **Balance at December 31, 2011** | **29,860** | **10,419** | **248** | **280** | **40,807** |
| Additions during the period | 1,469 | 25 | - | 101 | 1,595 |
| Discounting | 676 | 238 | - | - | 914 |
| Release of provisions used | (1,639) | - | (45) | - | (1,684) |
| Release of provisions not used | - | (141) | - | - | (141) |
| Reclassifications | - | | - | - | - |
| **Balance at June 30, 2012** | **30,366** | **10,541** | **203** | **381** | **41,491** |
| Of which current | 8,440 | 25 | - | 108 | 8,573 |
| Of which non-current | 21,926 | 10,516 | 203 | 273 | 32,918 |

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

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

The discounting impact of €676 thousand concerning environmental provisions is due to a decrease in discount rates and the discount unwinding effect.

The discounting impact of €238 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, 2012* | *December 31, 2011* |
|---|---|---|
| Liabilities rescheduled under the continuation plan | 4,522 | 4,459 |
| Tax and employee-related liabilities | 12,139 | 8,263 |
| Liabilities related to non-current assets | 828 | 421 |
| Other liabilities | 5,171 | 3,865 |
| Prepaid income | 1,219 | 703 |
| Fair value of underlying hedged risk | - | 49 |
| **Total** | **23,879** | **17,760** |

The increase in tax and employee-related liabilities was mainly due to the increase in value added tax (VAT) to be paid by Weser Metal GmbH following the increase in its sales in the second quarter of 2012 compared with the final quarter of 2011.

### Current liabilities rescheduled under the continuation plan:

| *Nature of rescheduled current liabilities (in thousands of euros)* | *June 30, 2012* | *December 31, 2011* |
|---|---|---|
| Bank borrowings | 19 | 19 |
| Miscellaneous financial liabilities (including accrued interest) | 1,617 | 1,617 |
| Trade payables | 129 | 129 |
| Tax and employee-related liabilities | 113 | 113 |
| Miscellaneous liabilities | 2,680 | 2,680 |
| Rescheduled current liabilities under the continuation plan prior to discounting | 4,558 | 4,558 |
| Impact of discounting cash flows | (36) | (99) |
| **Rescheduled current liabilities under the continuation plan after discounting** | **4,522** | **4,459** |

### Other non-current liabilities

| *(in thousands of euros)* | *June 30, 2012* | *December 31, 2011* |
|---|---|---|
| Rescheduled liabilities under the continuation plan | 15,946 | 15,563 |
| Other financial liabilities (clawback clause) | 3,900 | 3,900 |
| **Total** | **19,846** | **19,463** |

Other non-current liabilities solely include liabilities rescheduled under the continuation plan.

### Rescheduled non-current liabilities under the continuation plan prior to discounting

| *Nature of rescheduled non-current liabilities (in thousands of euros)* | *June 30, 2012* | *December 31, 2011* |
|---|---|---|
| Subsidized loans | - | - |
| Bank borrowings | 68 | 68 |
| Miscellaneous financial liabilities (including accrued interest) | 5,930 | 5,930 |
| Trade payables | 476 | 476 |
| Miscellaneous financial liabilities | 415 | 415 |
| Miscellaneous liabilities | 9,827 | 9,827 |
| Rescheduled non-current liabilities under the continuation plan prior to discounting | 16,716 | 16,716 |
| Impact of discounting cash flows | (770) | (1,153) |
| **Rescheduled non-current liabilities under the continuation plan after discounting** | **15,946** | **15,563** |

The debt waivers granted to Recylex SA under the continuation plan of November 24, 2005, which amounted to €19.2 million, are subject to a clawback clause. The fair value of this clause was measured at €3.9 million at December 31, 2011 based on a multi-scenario model. This value was maintained at June 30, 2012. The fair value of the clause will be re-measured at each annual accounts closing date.

**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 secondary materials (lead produced from battery recycling), 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 related to metals prices:

1) Risk of fluctuations in metal prices relative to its firm commitments under sale contracts, which are not recognized on the balance sheet;

2) Risk of fluctuations in prices of metals contained in commercial inventories[6]:

Most transactions related 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 its trading risk as far as possible mainly using futures contracts.

In the case of trading risks relating to firm commitments (point 1), the hedging derivatives used to cover the risk are deemed to be fair value hedges.

In the case of trading risks relating to fluctuations in metal prices between the time of its purchase and the time of its sale (point 2), the hedging derivatives used to hedge against trading risks on metal prices are recognized at fair value through profit or loss. These derivatives do not meet the criteria for hedge accounting set out in IAS 39. The hedge accounting defined in IAS 39 cannot, therefore, be applied.

| ***Fair value*** | ***June 30, 2012*** | | | ***December 31, 2011*** |
|---|---|---|---|---|
| *(in thousands of euros)* | *Current* | *Non-current* | *Total* | *Total* |
| Other financial instruments (assets - liabilities) ...... | 308 | - | 308 | 2 |
| **Assets ..................................................................** | | | | |
| Derivatives (cash flow hedges) ............................. | - | - | - | - |
| Fair value of underlying hedged risk...................... | 15 | - | 15 | 49 |
| Derivatives (other)………………………………….. | 308 | | 308 | 2 |
| **Liabilities..............................................................** | | | | |
| Derivatives (fair value hedges)............................... | 15 | - | 15 | - |
| Fair value of underlying hedged risk………………. | - | - | - | 49 |
| Derivatives (other)................................................. | - | - | - | - |

[6] 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, 2012, the fair value of derivatives treated as fair value hedges amounted to €(15) thousand (unrealized loss), which is offset symmetrically in the income statement by the fair value of the hedged risk (firm commitments under sale contracts), also in an amount of €15 thousand.

Derivatives used to hedge a recognized asset or liability or a firm commitment are documented as fair value hedges. The effective portion of the change in fair value of derivatives documented as hedges is recognized 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** |
|---|---|---|
| 2012 | (15) | 345 |
| 2013 | - | - |
| **Total** | **(15)** | **345** |

Cash flow hedges

At June 30, 2012, the Group did not have any derivative instruments qualified as cash flow hedges. There were no hedging reserves recognized at June 30, 2012.

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.

IFRS do not allow these financial instruments to be classified as hedges and they have therefore been classified as "Held-for-trading financial instruments".

The maturity of these financial instruments, which are measured at fair value through profit or loss, is as follows:

| ***(in thousands of euros)*** | **Market value of derivatives by maturity date** | **Nominal** |
|---|---|---|
| 2012 (trading risk hedges) | 308 | 10,219 |
| 2013 (trading risk hedges) | - | - |
| **Total** | **308** | **10,219** |

**NOTE 7: CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET COMMITMENTS**

| | *June 30, 2012 (in thousands of euros)* | *Less than one year (in thousands of euros)* | *One to five years (in thousands of euros)* | *More than five years (in thousands of euros)* |
|---|---|---|---|---|
| **Certain future payments** | | | | |
| ***On-balance sheet commitments:*** | | | | |
| Payments under finance leases | 521 | 82 | 439 | - |
| **Total on-balance sheet commitments:** | **521** | **82** | **439** | |
| ***Off-balance sheet commitments:*** | | | | |
| Payments under operating leases…… | 4,358 | 1,220 | 2,123 | 1,015 |
| Investment commitments | | | | |
| Commitments arising from the purchase and sale of futures | | | | |
| Other commitments (1) | 4,864 | 353 | 4,511 | - |
| **Total off-balance sheet commitments** | **9,222** | **1,573** | **6,634** | **1,015** |

(1) Other commitments given:

- The pledge of Recylex GmbH shares to the banks was transferred to Glencore following the latter's purchase of bank debt on August 4, 2005.
- PPM Pure Metals GmbH (formerly Reinstmetalle Osterwieck GmbH) has pledged its inventories, trade receivables and land as collateral for a loan currently amounting to €1.5 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 €2.3 million covering the land at the L'Estaque site.

**NOTE 8: LITIGATION AND CONTINGENT LIABILITIES**

No material changes have occurred since the end of 2011.

**NOTE 9: RELATED-PARTY TRANSACTIONS**

| ***(in thousands of euros)*** | *First half expenses* | | *First half revenues* | | *Receivables* | | *Liabilities* | |
|---|---|---|---|---|---|---|---|---|
| | *2012* | *2011* | *2012* | *2011* | *06/30/ 2012* | *12/31/ 2011* | *06/30/ 2012* | *12/31/ 2011* |
| Glencore............................... | 27,606 | 57,208 | 34,675 | 31,529 | 807 | 1,193 | 7,469 | 6,427 |
| Recytech .............................. | 6 | 6 | - | - | - | - | - | - |
| **Maturity** | | | | | | | | |
| Less than one year ................ | | - | | - | 807 | 1,193 | 2,420 | 1,148 |
| One to five years.................... | | - | | - | - | - | 5,049 | 5,279 |
| More than five years .............. | | - | | - | - | - | - | - |

**NOTE 10: SUBSEQUENT EVENTS**

There are no material events to note.

# STATUTORY AUDITORS' REVIEW REPORT ON THE HALF-YEARLY CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2012

*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 ("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, 2012,
- the verification of information contained in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. 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-yearly consolidated financial statements concerning the lawsuit, brought in 2006 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 27 February 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 18 November 2008 and invited the parties to bring the matter before the "Conseil d'Etat" on 12 February 2009. On 20 May 2011, the "Conseil d'Etat" gave its ruling and held that the request on illegality raised by Recylex SA before the Douai Appeal Court was unfounded and therefore rejected its request. The hearing before Douai Appeal Court was pleaded on 12 April 2012. The decision planned to be rendered on 28 June 2012 has been postponed to 19 September 2012.

Based on the ruling in favour of Recylex SA of the Tribunal de Grande Instance de Béthune, the company did not deem it necessary to set aside any provision in the financial statements as at 30 June 2012.

Should the outcome of this lawsuit be unfavourable to Recylex S.A., execution of the continuation and going concern plan could be called into question.

**II. Specific verification**

We have also verified information given in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review. We have no 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, 2012

| | |
|---|---|
| Laurent Génin | Frédéric Neige |
| *Partner* | *Partner* |