

30 April 2020 - 6.30 pm

## Press release

# Financial information at March 31, 2020 and request for extension of the ongoing discussions with the financial partners

- Consolidated sales at March 31, 2020 at €77.9 million: strong decline in the Zinc, Special Metals and Plastics segments offset by a favorable basis of comparison in the Lead segment
- Current activity strongly impacted by the drop in metal prices, the slowdown in demand and the adaptation measures taken by the Group in connection with the SARS-CoV-2 pandemic
- New request for extension beyond May 31, 2020 of the ongoing discussions with the financial partners due to delays in the asset disposals projects
- Postponement from end of April 2020 to the second half of May 2020 of the assessment, from the financial partners, of the conditions under which their financing could be maintained until May 31, 2020

The Recylex Group (Euronext Paris: FR0000120388 - RX) today publishes its financial information as at March 31, 2020, in the context of ongoing discussions with the financial partners of the German subgroup<sup>1</sup> and the continuation of the measures taken by the Group<sup>2</sup> regarding the effects of the SARS-CoV-2 pandemic.

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

*"The Group's first-quarter 2020 performance largely reflects a deteriorated environment due to the effects of the SARS-CoV-2 pandemic: a sharp decline in demand for materials in Europe, a drop in waste collection, mainly in France, and a significant decrease in metal prices. In response, the Group quickly adapted partially its activities with the priorities of protecting its employees and keeping its plants in good condition, to enable a rapid restart as soon as the situation permits. The impact on demand, supply chains and production cannot be assessed reliably and in detail. It must be assumed that this year's sales, turnover and operating result will each be below the level of the previous year. Given its still difficult financial situation and the need to constantly adapt to new developments, the Group is actively pursuing the operational and financial restructuring of the German subgroup. It has requested from its financial partners additional time to make progress on the planned divestment projects, which have*

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*been delayed by the constraints related to the SARS-CoV-2 pandemic.”*

## 1. Financial information at March 31, 2020

At March 31, 2020, consolidated sales by segment break down as follows:

<i>In millions of euros</i>	At March 31, 2020	At March 31, 2019	<i>Change (in %)</i>
Lead	54.0	45.8	+18%
Zinc	16.7	21.8	-23%
Special Metals	4.3	4.6	-7%
Plastics	2.9	3.6	-19%
Total	77.9	75.8	+3%

*IFRS data, unaudited figures.*

The evolution of metal prices as of March 31, 2020 (in euros) is as follows:

<i>In euros per tonne</i>	First quarter 2020 average	First quarter 2019 average	<i>Change (in %)</i>
Lead price	1,675	1,793	-7%
Zinc price	1,930	2,380	-19%
€/€ exchange rate	1.1025	1.1358	-3%

*Source: London Metal Exchange.*

The average lead price reached €1,675 in the first quarter of 2020, down 7% compared to the average in the first quarter of 2019. Between January 2, 2020 and March 31, 2020, lead prices declined almost continuously, dropping 8% since the beginning of the year.

The average zinc price in the first quarter of 2020 was €1,930, down 19% compared to the average in the first quarter of 2019. Between 2 January 2020 and March 31, 2020, the zinc price fell by 17%, due to a very sharp fall since February 2020.

The average €/€ exchange rate was down slightly by 3% compared to the first quarter 2019 to 1.1025. Between January 2, 2020 and March 31, 2020, the €/€ parity fell by 2%.

## 2. Breakdown of consolidated sales as of March 31, 2020 compared to March 31, 2019

Consolidated sales at March 31, 2020 amounted to €77.9 million, up 3% compared to the first quarter

of 2019. Restated consolidated sales<sup>3</sup> at March 31, 2020 reached €81.8 million, a very slight decrease of 1% compared to March 31, 2019.

## 2.1 Lead segment: sales up 18%

The Lead segment represented 69% of consolidated sales at March 31, 2020.

Sales amounted to €54.0 million for the first quarter of 2020, up 18% compared to March 31, 2019. In the first quarter of 2020, the increase in sales of metallurgical by-products (notably containing copper and silver) and the positive effect of higher volumes processed under the industrial "tolling" offset the decline in lead prices.

With encouraging industrial performance following the short shutdown in November 2019 to implement technical improvements, production at the Weser-Metall GmbH smelter reached 33,400 tonnes of lead at March 31, 2020 (+36% compared to the first quarter of 2019), due to a favorable basis of comparison (the smelter operated a major three-week maintenance shutdown in the first quarter of 2019). In this context, the Group recycled approximately 30,300 tonnes of used lead-acid batteries in the first quarter 2020 (+7% compared to the first quarter of 2019).

As a reminder<sup>2</sup>, in order to adapt to the global slowdown in activity related to the effects of the SARS-CoV-2 pandemic and to protect its employees in this context, until further notice :

- Weser-Metall GmbH has discontinued production since 26 March 2020 and has implemented "short-time working" measures for more than half of its employees.
- The activities of the Group's used lead-acid battery recycling plants in France (Recylex S.A.) and Germany (Harz-Metall GmbH) have been discontinued and all three plants have introduced "short-time working" measures for their employees.
- In this context, the Group has temporarily ceased its purchases of used lead-acid batteries.

The major scheduled maintenance shutdown of the Weser-Metall GmbH smelter<sup>4</sup>, postponed due to the governmental measures aiming at containing the pandemic, began at the end of April and is expected to last approximately three weeks. During this maintenance shutdown, the renewal and quality improvement of all refractories are planned for both furnaces.

The Lead segment's activity in the second quarter 2020 will be strongly impacted by all of these elements.

## **2.2 Zinc segment: sales down 23%**

The Zinc segment accounted for 21% of consolidated sales at March 31, 2020.

Sales reached €16.7 million at March 31, 2020, down 23% compared to the first quarter 2019. Restated<sup>2</sup> sales amounted to €20.5 million at March 31, 2020, down 28% compared to the first quarter 2019.

In the first quarter 2020, sales for the segment as a whole were affected by the very sharp fall in zinc prices and the significant deterioration in commercial conditions.

In the dust recycling activity, the Group's total Waelz oxide production (Harz-Metall GmbH and Recytech S.A.) totaled over 19,500 tonnes at March 31, 2020, up 14% compared to the first quarter of 2019. This increase was due to a favorable basis of comparison for HMG (which had started its major maintenance shutdown in March 2019, compared to no shutdown in the first quarter 2020). This partially offset the lower zinc price and deteriorated commercial conditions.

The zinc scrap recycling activity also experienced a significant decline in sales in a deteriorated market environment, which was adversely affected by the sharp decline in the zinc price. Zinc oxide production reached more than 3,500 tonnes at March 31, 2020, down 37%.

In the second quarter of 2020, the segment as a whole will face a very challenging market environment in view of a likely decline in demand, falling zinc prices and severely deteriorated commercial conditions.

## **2.3 Special Metals segment: sales down 7%**

The Special Metals segment represented 6% of consolidated sales at March 31, 2020.

PPM Pure Metals GmbH's sales amounted to €4.3 million at March 31, 2020, down 7% compared to the same period in 2019. The increase in Arsenic's sales volumes in a stable price environment did not offset the decline in Germanium sales (due to the increase in tolling volumes and lower prices) and the slowdown in demand for several other metals.

At this stage, the activity of PPM Pure Metals GmbH has not been significantly impacted by the effects of the SARS-CoV-2 virus.

## 2.4 Plastics segment: sales down 19%

The Plastics segment accounted for 4% of consolidated sales at March 31, 2020.

In the first quarter of 2020, sales reached €2.9 million, down 19% compared to the first quarter of 2019. While C2P France S.A.S.'s activity remained almost stable (-3%) compared to the first quarter of 2019 in a deteriorated market context, the decline in the segment's sales was due to an unfavorable basis of comparison, as the strategic reorientation of the activity in Germany<sup>5</sup> was implemented starting from the second quarter of 2019.

As of March 31, 2020, the Group's total production of recycled polypropylene reached 3,160 tonnes, down 2% compared to the first quarter of 2019.

As a reminder<sup>2</sup>, in order to adapt to the sharp drop in customer demand in the context of the SARS-CoV-2 virus pandemic, C2P France S.A.S. has discontinued production since end of March 2020 and has implemented "short-time working" measures for its employees until further notice.

## 3. Request for an extension beyond May 31, 2020 of the ongoing discussions with the financial partners of the German subgroup<sup>1</sup>

The assessment from the financial partners of the conditions under which their financing could be maintained until May 31, 2020 was postponed to second half of May 2020 (instead of end of April 2020).

In this context and due to delays linked to the SARS-CoV-2 pandemic on the work of the asset disposals projects, the German sub-group has requested from its financial partners an additional extension to June 30, 2020 (as opposed to May 31, 2020 at present) of the timetable for the ongoing discussions to determine whether and under what conditions their financing could be maintained. This delay is needed for the overall review of the progress report concerning the asset disposals projects, in order to assess whether the proceeds of the disposals will be sufficient to allow a sustainable restructuring of the German subgroup's debt.

In this context, the German sub-group has therefore requested:

- From Glencore International AG, the extension of the existing bridge financing up to a maximum amount of €6.5 million in order to cover its identified cash requirements from May 31, 2020 to June 30, 2020 (compared to May 31, 2020 previously). To date, the Group has

drawn €52.7 million of this bridge financing out of a total amount of €65.8 million.

- From Glencore International AG, the extension to June 30, 2020 of the maturity date of the bridge financing and of the additional financing (€16.0 million);
- From its financial partners, the postponement to June 30, 2020 of their rights of early termination under the financing obtained in December 2016, as well as the postponement to the same date of repayments due on December 31, 2018, March 31, 2019, June 30, 2019, September 30, 2019, December 31, 2019 and March 31, 2020 for a total amount of €12.0 million as well as interests due on December 31, 2019 and March 31, 2020 for a total amount of approximately €6.2 million.

In the event of a negative response from the financial partners to these requests, all of the German sub-group's bank debt would become immediately due and payable, resulting in a bankruptcy of all of the Group's German companies. Consequently, Recylex S.A. would then lose control of these entities, resulting in the deconsolidation of the entire German perimeter. In addition, the consequences on Recylex S.A.'s going concern<sup>6</sup> would have to be assessed in this context.

Recylex will keep investors informed of the developments in the ongoing discussions with the financial partners of the German subgroup.

#### 4. Update on the financial situation

As of April 29, 2020:

- The German subgroup's net debt amounted to €171.7 million, compared to €161.2 million on February 29, 2020. This increase is mainly due to the €6.0 million drawdown on the bridge financing in March and April 2020, and to an increase in accumulated interest of €4.0 million.
- Recylex S.A.'s net debt amounted to €43.2 million, compared with €41.2 million on February 29, 2020. This is mainly due to the change in the net cash position.
- The Group's consolidated net debt amounted to €195.0 million compared with €183.0 million euros on February 29, 2020.

In an already very difficult situation due to its current restructuring, the Recylex Group is closely monitoring its cash position and reviewing its outlook in the light of the SARS-CoV-2 virus pandemic and changes in its economic environment.

## 5. Forecasted financial agenda

- Financial information as of June 30, 2020: Thursday, July 30, 2020 (after market closing).

1 See in particular the press releases of December 5, 2018, March 26, 2019, June 17, 2019, July 15, 2019, July 31, 2019, October 28, 2019, November 7, 2019, November 27, 2019, December 20, 2019, February 21, 2020 and March, 19, 2020.

2 See the press releases of March 19, 2020 and March 25, 2020.

3 When assessing the performance of the Zinc segment, the Group consolidates its 50% investment in Recytech S.A. proportionately, which is not permitted under IFRS. See note 19 to the consolidated financial statements for the financial year 2017.

4 See the press release of February 21, 2020.

5 See the press release of April 24, 2019.

6 See note 32.5.1.4. to the consolidated financial statements for the financial year 2017.

**Disclaimer:** This press release may contain forward-looking statements that do not constitute forecasts regarding results or any other performance indicator, but rather trends or targets. These statements are by their nature subject to risks and uncertainties as described in the Company's annual report available on its website ([www.recylex.eu](http://www.recylex.eu)). Further information about Recylex is available from its website ([www.recylex.eu](http://www.recylex.eu)).

The summary document of the proceedings concerning Metaleurop Nord S.A.S. and Recylex S.A., updated on April 24, 2020, is available on the Finance section of the Recylex Group's website.

This press release is a non-official translation into English of the press release of the same date issued in French language and is provided solely for the convenience of English-speaking users. This press release should be read in conjunction with and construed in accordance with French law.

## Raw materials from urban mines

The Recylex Group, based in France and Germany, is a European specialist in the recycling of lead, zinc, polypropylene and in the production of high-purity special metals. As a key player in the circular economy and thanks to its long-standing know-how, Recylex achieved consolidated sales of €306 million in 2019 and employs more than 730 employees.

For more information about the Recylex Group: [www.recylex.eu](http://www.recylex.eu)



## APPENDIX

### Recylex S.A.'s sales

<i>In millions of euros</i>	At March 31, 2020	At March 31, 2019	<i>Change (in %)</i>
Lead segment	14.3	15.5	-8%
Services to Group companies	0.5	0.2	+150%
Total sales	14.8	15.7	-6%

*IFRS data, unaudited figures.*