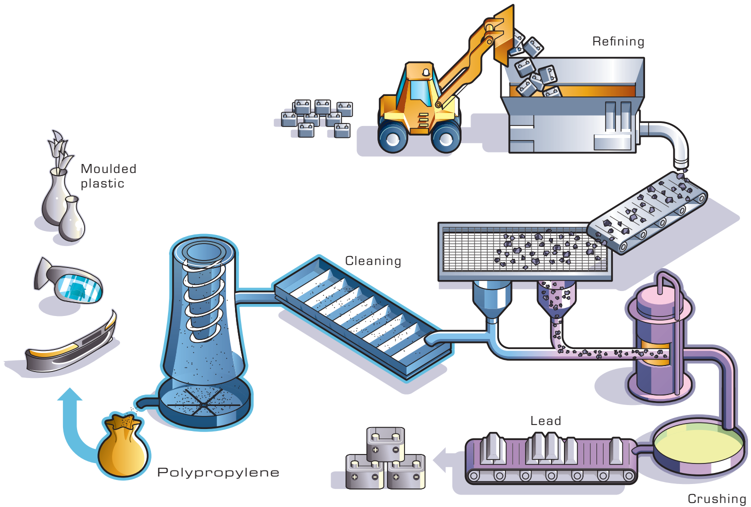
RECYLEX

Annual report 08

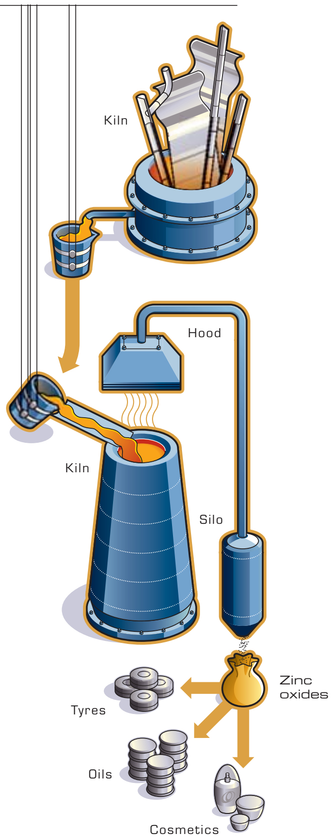
Lead & Plastic



- Europe's third largest producer of lead
- Recylex recycles 95% of a battery
- 10 million batteries recycled every year

Using its unique expertise, Recylex recovers and recycles used vehicle and industrial batteries. The acid is neutralised, and the lead and plastic are separated out and recycled in our plants in France, Germany and Belgium.

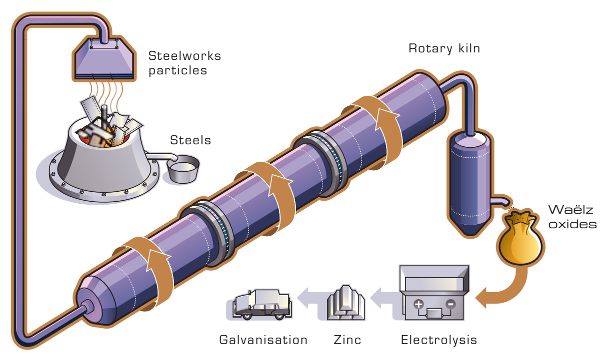
Zinc oxides



- 32,000 tonnes of zinc recycled in 2008
- 31,000 tonnes of oxides produced in 2008

Scrap zinc is collected and recycled by Recylex. The zinc is then processed at very high temperatures, turned into zinc oxide and sold to the tyre, glassware and cosmetics industries.

Waëlz oxides



- 195,000 tonnes of steelworks electric arc furnace dusts recycled in 2008
- 73,000 tonnes of oxides produced in 2008

Recylex collects and recycles steelwork's electric arc furnace dusts. Waëlz oxides are processed in a rotary furnace and are sold to zinc producers.

Special metals

- World leader in certain special metals
- 60% of the world arsenic market
- Metals refined to a purity of up to 99.9999%

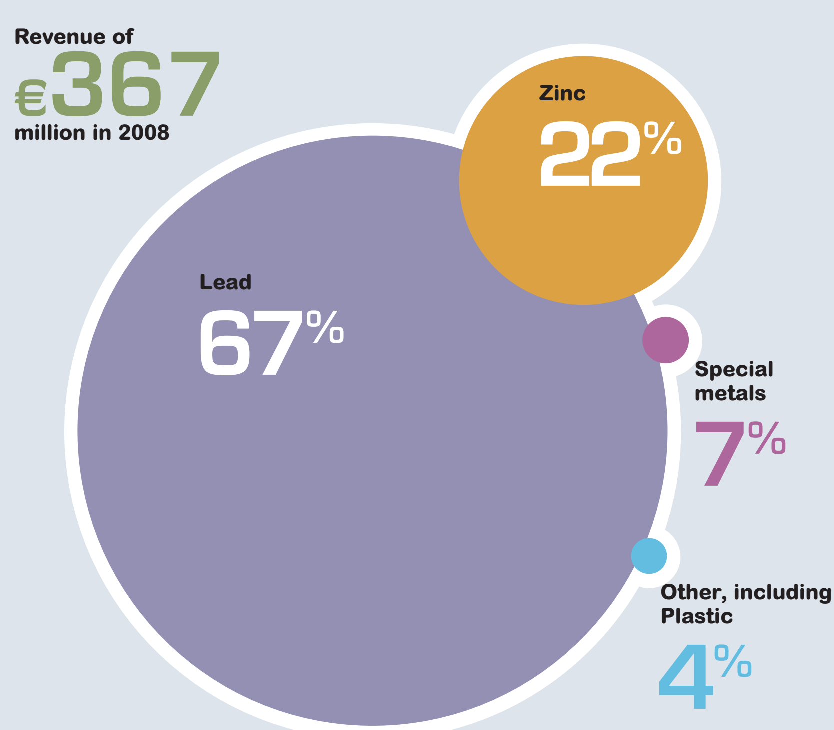
This business is based in Germany and consists of producing and refining metals to a very high purity, mainly for the electronics and optoelectronics industries.

The Recylex group is a pan-European specialist in industrial recycling. Its activities include recycling lead and plastic, mostly from vehicle and industrial batteries, recycling zinc from electric steelwork dusts, producing zinc oxides from scrap zinc, and producing special metals for the electronics industry.

Recylex's core environmental mission involves recycling used materials, transforming them back into usable materials and enhancing our expertise: recycling lead, zinc and plastic whilst respecting the environment; transforming and melting down materials so that they can be re-used; enhancing this unrivalled expertise in serving our customers and partners.

The Group's unique set of skills results from its former manufacturing activities, its modern technology and facilities, its effective geographical coverage, and its reliable suppliers.

Recylex currently has locations in France, Germany and Belgium, and soon in Algeria, giving it 10 production sites and more than 600 staff.



Dear Shareholders,

2008 brought the start of an unprecedented global economic downturn, which badly affected not only large traditional industries, but the recycling sector as well. This economic downturn, together with extreme volatility in commodity prices, put pressure on both the upstream and downstream segments of Recylex's business.
While taking a cautious approach to 2009, we have renewed confidence in our business model.

There were wide movements in lead and zinc prices in 2008. They fell by 25% and 47% respectively relative to 2007. The average lead price in 2008 was €1,404 per tonne, down from €1,882 in 2007. Zinc prices varied more sharply, with the average price falling from €2,385 per tonne in 2007 to €1,260 in 2008.
There were several factors behind these declines. The downturn was particularly severe in manufacturing, and investors pulled out of commodities following the global loss of confidence in the markets.

In the lead market, after an exceptional 2007 when Recylex processed about 140,000 tonnes of used batteries, volumes fell to 122,000 tonnes due to lower inventories at recovery companies.
Collection volumes fell in the third quarter of 2008 because of falling scrap and metals prices.
The market for lead should remain firm, since most lead is used to make replacement batteries, and weather conditions were favourable in the winter, encouraging battery replacement.

The global decline in the zinc market caused plant closures and reduced production capacity.
The zinc market suffered from problems experienced by steel producers and carmakers. In the second half of 2008, Recylex acted promptly, taking difficult strategic decisions in order to safeguard the long-term future of its activities.
Recylex group's subsidiary Norzinco SA decided to stop recycling zinc-containing materials at its Anzin site in France. Sensible management was also behind the decision by the Group's German subsidiary Harz-Metall GmbH to stop Waëlz oxide production temporarily at its Goslar site. This enabled the company to bring forward scheduled maintenance from 2009 to late December 2008.

The Board of Directors

YVES ROCHE	ARISTOTELIS MISTAKIDIS	MATHIAS PFEIFFER	RICHARD ROBINSON
Chairman of the Board of Directors	Director	Director	Director

Although Recylex posted a net loss of €49.7 million in 2008, its fundamentals remained solid at year-end. Recylex generated positive operating cash flow of €14 million, despite the adverse economic environment. This enabled Recylex to continue its €15 million investment programme and, after passing another milestone in its continuation plan, reduce its debt levels. With its cash position of €77 million at end-2008, Recylex has a solid balance sheet going into 2009.
Recylex will also continue to defend its interests as part of the legal proceedings initiated by the liquidators and former employees of Metaleurop Nord. Should they result in an unfavourable outcome for Recylex, the execution of its continuation plan adopted in 2005 could be jeopardized.

In July 2008, Recylex presented a clear, focused and pragmatic strategy. The strategy aims for profitable growth by consolidating and giving fresh impetus to mature domestic markets, while expanding in emerging-market countries by exporting our expertise. Recylex's choice of development model, methods and partners will be determined by opportunities and the potential volume of materials available for recycling in its target markets.
In line with this approach, Recylex has announced its first development outside Europe, moving into Algeria by setting up a battery processing centre that will be operated by Eco-Recyclage, in which Recylex owns a 33.33% stake. This project is a partnership between Recylex, a French waste collection company and an Algerian partner specialising in recycling.

The HSE policy remains a priority in 2009. Recylex has a strong policy as regards HSE (health, safety and environment) issues. An audit of HSE performance across all production sites has been carried out, to ensure that they use best practice. The audit has enabled Recylex to organise operational HSE reporting and to define practical actions to enhance performance. This initial phase of the project was strongly supported by Recylex's staff. The project will continue in 2009 with the introduction of training initiatives.
Recylex is also continuing its programme of rehabilitating former mines and the l'Estaque site, in line with its commitments as part of the continuation plan.

The Group is taking a cautious approach given the global economic slowdown, and is adjusting its model to reflect market conditions.

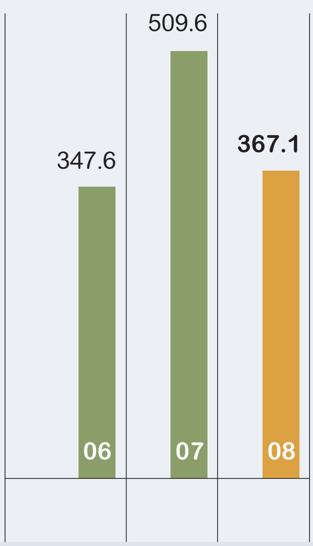
It will adjust production in line with demand, reduce overall capital expenditure and streamline production costs, particularly energy costs. Given the highly uncertain economic environment, Recylex will focus on preserving cash. The Group can rely on its many strengths in dealing with this unprecedented downturn.

Thank you for your support,

YVES ROCHE
Chairman and Chief Executive Officer

2008, go through the crisis thanks to our solid fundamentals

Consolidated revenue
in € million

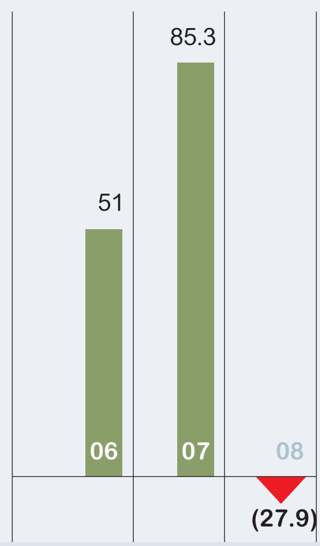


Decreasing turnover:

• resulting from the sharp fall in lead (–25%) and zinc (–47%) prices in 2008;

• constant production volumes.

Consolidated current operating income
in € million

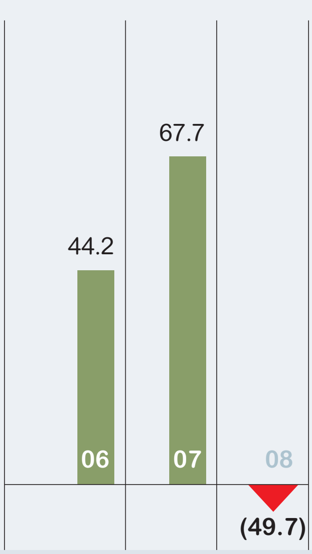


Negative EBIT:

• due to lower margins in the lead and zinc businesses;

• resulting from the impact of using the weighted average price method to evaluate the lead stock at the Nordenham plant.

Consolidated net income (Group share)
in € million

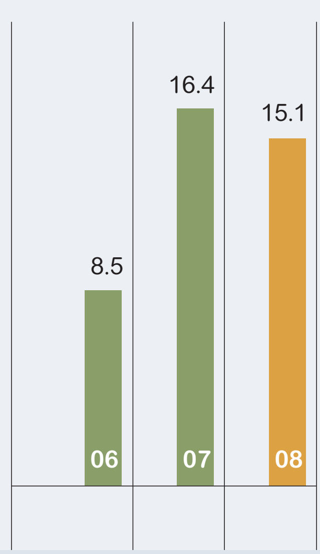


Net result seriously affected by non-recurring items:

• additional impairment of €5.4 million;

• a €15.5 million provision for labour court proceedings (at current value).

Capital expenditure
in € million



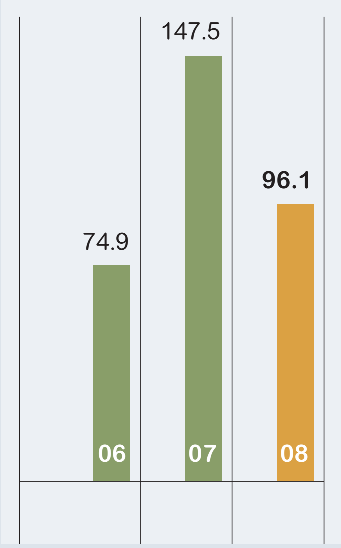
High evel of investments:

• ongoing policy of targeted investment;

• to improve productivity, profitability and safety, and to reduce the environmental footprint.

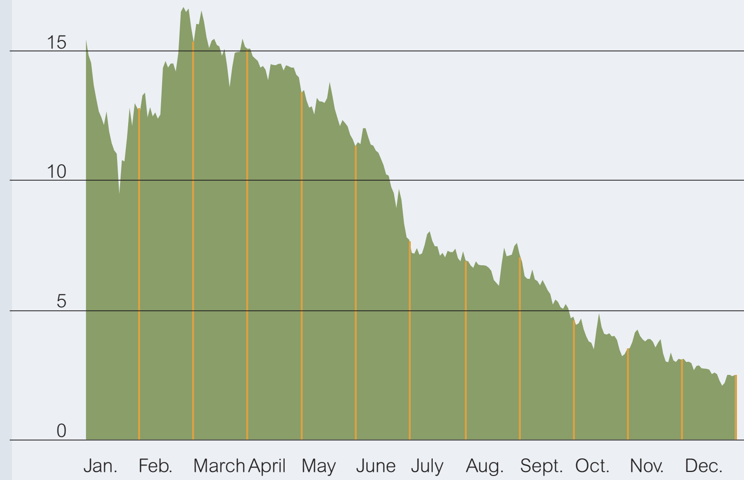
Shareholders' equity (Group share)

in € million

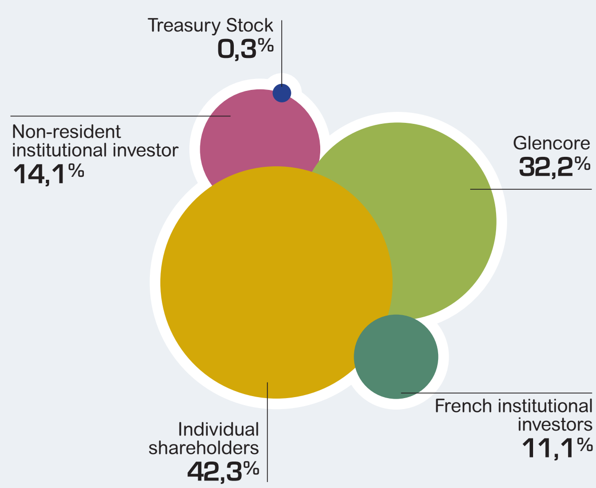


Workforce

Share price information in 2008



Ownership structure at March 27, 2009



Recylex share information

Number of shares in issue at December 31, 2008: 23,957,982 shares
Listed on: Compartiment C of Euronext Paris
Ticker : RX
Euronext/ISIN code : FR0000120388
PEA : yes Deferred settlement: no
Indexes : SBF 250, CAC All Shares, CAC Mid & Small 190, CAC Small 90, CAC Basic Materials

For further financial information about Recylex, visit:
www.recylex.fr

Shareholder contacts: **+33 1 58 47 04 70**
or by email at: **info_recylex@recylex.fr**

2008: an unprecedented downturn

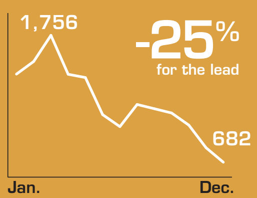
Algeria // An initial step towards international expansion

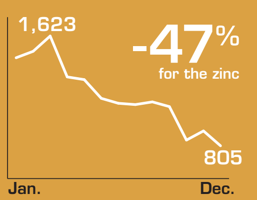
In July 2008, Recylex announced that it was setting up a battery processing plant in Algeria, in partnership with a French metal recovery company and a company with special expertise in recycling and materials collection in the Algerian market. The plant will be operated by Algeria-incorporated Éco-Recyclage, in which Recylex SA owns a 33.33% stake.
The construction of this pilot plant in Aïn Ouassara, 200 km south of Algiers, has fallen behind schedule because of unforeseen issues with technical operations, arising from the site layout and administrative procedures.
The plant will comply with ISO 14001 standards, and the first battery processing trials are scheduled for the end of March 2009.

Norzinco // Activities at the Anzin site discontinued

After exploring all possible alternatives, the Board of Directors of Recylex group's subsidiary Norzinco SA started winding down its zinc recycling activities at the Anzin site, in France.

Lead and zinc prices // Sharp correction in 2008





2008 brought a global economic downturn that caused a decline in consumer spending and industrial production. This led to a fall in the prices of all commodities, and lead and zinc in particular. Average lead and zinc prices, expressed in euros, fell by 25% and 47% respectively, relative to 2007. The average lead price in 2008 was €1,404 per tonne, down from €1,882 in 2007. The average zinc price in 2008 was €1,260 per tonne, down from €2,385 in 2007.
These market conditions put serious pressure on Recylex's revenues and margins. The extent and duration of the crisis beyond December 31, 2008 are hard to gauge.

Legal proceedings concerning Metaleurop Nord //
news in 2008

FORMER EMPLOYEES OF METALEUROP NORD SAS – In 2008, Recylex set aside €15.5 million (at current value) of provisions to cover all claims from operational and managerial staff.

Non-managerial /
June 27, 2008: the industrial section of the Lens labour court, considering Recylex SA to be a co-employer, awarded 493 former non-managerial employees of Metaleurop Nord SAS total compensation of €14.9 million, which has been included in the liabilities of the continuation plan. Recylex has appealed against these judgments, thereby suspending their application.
June 26, 2009: hearing at the Douai Appeal Court.

Managers and supervisory staff /
September 30, 2008: the managerial section of the Lens labour court adjourned proceedings concerning 91 claims.
May 20, 2009: hearing before the managerial section of the Lens labour court, chaired by a magistrate delegated by the Lens Regional Court.

CLAIM FOR REPAYMENT OF LIABILITIES – At first instance, the Béthune Commercial Court dismissed the claim brought by the liquidators for repayment of €50 million of Metaleurop Nord SAS's liabilities, holding that Recylex SA was not the de facto manager of Metaleurop Nord SAS. Given the favourable first-instance decision, no provisions have been set aside to cover this claim.
November 18, 2008: the Douai Appeal Court adjourned proceedings and invited the parties to make a reference to the Conseil d'État to examine the legality of a regulatory provision.
February 12, 2009: Recylex filed a legality assessment application with the Conseil d'État.

Recylex operates in France, Germany and Belgium, and soon Algeria.
This geographical coverage helps the company tap the local market for batteries and metal particles, while minimising logistics costs. Recylex takes advantage of its long-standing commercial relationships with suppliers, and its high profile in the recycling industry.

8 Osterwieck _ Germany
- Special-metal production

7 Langelsheim _ Germany
- Special-metal production

6 Oker-Goslar _ Germany
- Battery collection and breaking
- Spent zinc recycling
- Zinc oxide production
- Polypropylene recycling
- Waëlz oxide production

5 Nordenham _ Germany
- Lead foundry and refining

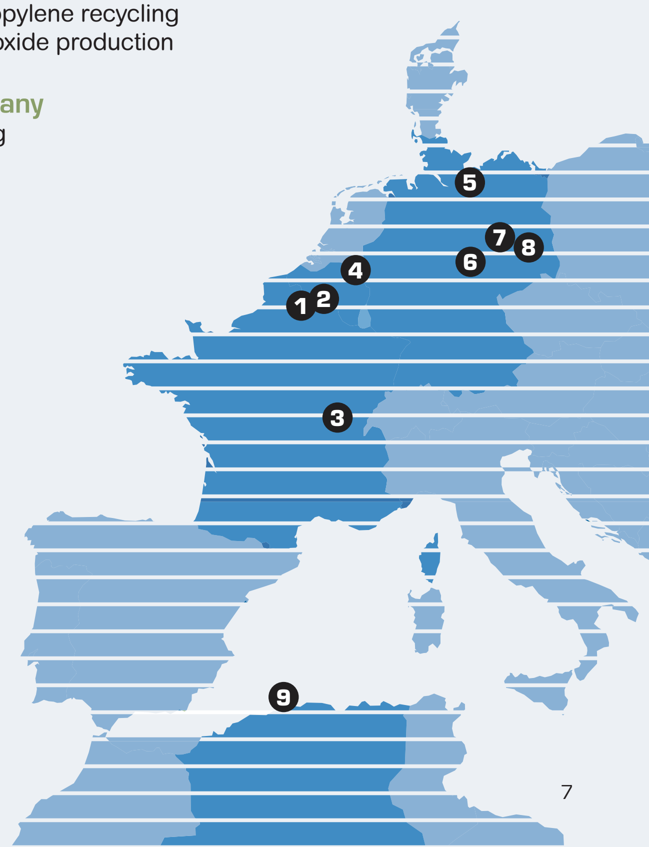
4 Brussels _ Belgium
- Battery collection
- Lead recycling (smelting)

3 Villefranche-sur-Saône _ 69
- Battery collection and breaking
- Polypropylene recycling

2 Escaudœuvres _ 59
- Battery collection and breaking

1 Fouquières-lès-Lens _ 62
Recytech SA – a 50% joint-venture
- Steelwork particle recycling
- Waëlz oxide production

9 Aïn Ouassara _ Algeria
Éco-Recyclage SPA – 33,33% owned
- Battery collection and breaking



Long-term development

Recycling is set to generate sustained growth over the long term, due to the price that can be obtained for waste, the structural rise in mining costs and increasingly restrictive environmental legislation. Around 60% of the world lead production already comes from recycling. In 2008, Recylex presented a clear focused industrial strategy. The deterioration in market conditions in 2008 naturally prompted it to adjust its strategy on a short-term basis, without threatening its long-term validity.

1 A promising market for established players

The metal recycling market has two main characteristics: it is highly skills-based, giving established players a technological and commercial advantage; competition mainly takes place on the supply side, as companies compete to collect material to recycle.

2 Geographical expansion in recycling

Recylex's development depends on its ability to duplicate its technological expertise, capitalising on long-term, local supplies. Although Western Europe remains a stable and buoyant market, future sources of growth will arise in geographical zones that are seeing rapid industrialisation, growth in the local car market, and the gradual formation of waste collection networks.

3 Vision and ambition

Recylex regards recycling as the primary source of raw materials. Lead is the world's best recycled metal. It has a continuous lifecycle, in which companies like Recylex play a vital role by turning used lead back into a valuable, useful material. Zinc has a wide variety of uses in its different forms, and can be reused several times through recycling and processing. Recycling plastic is also viable and profitable over the long term because of increasing environmental concerns, together with fears that oil will become increasingly scarce and expensive.

Our ambition is to become the European benchmark for leading-edge recycling, through the quality of our industrial facilities, our expertise and our environmental commitment.

4 Development

Battery recycling (lead and plastic) is a core business that will be developed. Improvements are needed in the zinc business. The special metals business is not directly linked to recycling, and is a niche business because its volumes are necessarily low.

5 Growth

Recylex's profitable growth strategy has two main aspects. Firstly, we are aiming to consolidate our positions and increase profitability in our home markets (Germany, France and Belgium). Secondly, we intend to develop our expertise abroad through expansion, particularly in emerging-market countries that generate sufficient numbers of used batteries and where competition remains unstructured.

6 Focus on organic growth and profitability

To consolidate our positions, we have a long-term investment and capital expenditure policy that aims to enhance productivity. We are also stepping up commercial efforts, to increase processing volumes. Recylex has a sustained investment and capital expenditure programme intended to enhance the production system and increase its yields.

7 Controlled international development

To develop Recylex abroad, the Group is looking for opportunities to export its expertise in processing used batteries, working with local players that have collection networks. An example is the project being set up in Algeria. The site in Algeria is the test bed for future expansion projects.

The current sharp economic downturn and the limited short-term visibility on the recovery require Recylex to take a cautious approach. The Group has decided to adapt by adjusting production in line with demand, reducing capital expenditure and production costs. The current situation requires us to be more flexible and opportunistic in implementing our strategy. However, that strategy is now more relevant than ever.

A constant focus in order to increase our environmental achievements

As a recycling company, protecting the environment is a crucial part of our development. Recylex spends a lot of effort and investment on protecting the health of its employees, on reducing all kinds of pollution resulting from its activities and on optimising its resources.

Unique expertise in waste recovery

Recylex plays a key role in processing waste and recycling vehicle components: it handles both non-hazardous waste like scrap zinc, and hazardous waste like steelwork particles and batteries. Recylex recycles 95% of every battery it receives, processing lead, plastic and sulphuric acid, which is either neutralised or transformed into sulphur dioxide, a gas used to make the sulphuric acid sold by Recylex.

Recylex's work also helps to reduce the use of natural resources, such as lead – which can be recycled indefinitely – zinc and, indirectly, oil by recycling polypropylene.

Prolonging the lifecycle of raw materials, resulting in responsible procurement

Recylex establishes long-term recycling loops:

80%

of the materials in used batteries are used to make new batteries. Recylex also helps to increase energy efficiency, since recycling metals uses less energy than direct production from ore.

Certification

Our quality and environmental policy includes site certification initiatives (ISO 14001 and ISO 9001) and a close relationship with the authorities, above and beyond statutory obligations.
Recylex hired two quality, health, safety and environmental officers in 2008. One is based at the Escaudœuvres site and the other at Villefranche-sur-Saône. The two sites obtained ISO 14001 certification in 2007, which was renewed in 2008.
The Éco-Recyclage site at Aïn Ouassara (200 km south of Algiers) will be ISO 14001-compliant.

Preventing risks and enhancing performance

In 2008, Recylex group carried out a Health, Safety and Environment (HSE) audit. All production sites in France, Germany and Belgium took part in the audit. The aim was to establish a detailed overview of Recylex's human and environmental risks. The audit also identified and prioritised the investments needed to improve Recylex's HSE performance.

Quarterly HSE reporting is an important innovation in risk management. Each site reports regularly to the Group on its staff's exposure to hazardous materials (particularly lead), and the results of ground and air measurements made around production sites.

These key performance indicators also allow best practice to be shared within the Group, and allow investment to be directed so as to best protect the health of administrative and operational staff at Recylex's sites.

Recylex Lab: innovations in protecting health and the environment

In late 2008, Recylex group launched a project involving all of its staff.
The first phase, at the Villefranche-sur-Saône sites, consists of improving each employee's practices and performance in the health, safety and environment field. During this experimental training phase, the priority will be on HSE staff at two Villefranche-sur-Saône sites, which handle lead and plastic.
The project will cover all subjects: including material and fire protection, rigorous application of regulatory standards, and constant efforts designed to reduce our employees blood lead levels.
The first objective of the Recylex Lab project is to improve working conditions and invest effectively in production sites. Recylex also intends to give its HSE policy a more formal basis.
Sites will be certified, and will have an integrated system for managing the various identified risks.
Eventually, the aim is that Recylex Lab will result in technologically and industrially innovative projects, for example by reducing energy expenditure.

RECYLEX lab

Environmental responsibility

Mine rehabilitation programme Recylex is committed to rehabilitating mines no longer in operation. This involves making the sites safe before handing them back to the Government. This commitment forms part of Recylex SA's continuation plan, as adopted by the Paris Commercial Court on November 24, 2005.
In view of this objective, Recylex continued its efforts to rehabilitate several old mining concessions in 2008.

L'Estaque The second environmental commitment under the continuation plan is the clean-up of the l'Estaque site, near Marseille. The ongoing clean-up operation involves the excavation, screening and storage of all pollutants in secure landfills to be built on-site.
A prefectoral decree of 2002 defines the remediation programme for this site and sets targets for soil quality after treatment. The programme to build waste storage capacity was subject to a firm offer in 2000 from a neighbouring industrial group but the contract was called into question by this same group in 2004, which resulted, in 2008, in the definitive cancellation of the contract.
In November 2008, Recylex SA was notified of a supplementary prefectoral decree, which modified the deadline for remediation works, extending it to December 31, 2011.
In January 2009, in accordance with this supplementary order, Recylex SA filed an alternative rehabilitation project, which is currently being examined by the authorities.

Financial Report

Management report of the Board of Directors

Financial year ended December 31, 2008

1. The Group's situation during the 2008 financial year

In this report, except where otherwise stated, "Group" shall mean the Company and those companies consolidated by it as defined in article L. 233-16 of the French Commercial Code.

1.1 Market conditions

2008 saw a global economic crisis that led to a fall in consumption and thus a collapse in the prices of all commodities, and most notably the prices of lead and zinc. In euro terms, these two metals saw their average prices fall by 25% and 47% respectively compared to 2007. The scale and duration of this crisis beyond December 31, 2008 are difficult to forecast. Recylex expects market conditions to deteriorate in 2009.

In the currently highly volatile market and given the difficulty of assessing economic prospects, the financial estimates used in the preparation of consolidated financial statements for the year to December 31, 2008 are based on the best current estimates by the Company's management regarding the foreseeable future and use assumptions that include an economic crisis of limited duration.

Operating profits at the Recylex group are dependent on fluctuations in the prices of lead and zinc.

Lead: a very volatile market

The price of lead fluctuated between $3,500/tonne in March 2008 and less than $900/tonne in December 2008.

This pronounced fall in the price resulted from the withdrawal of investors from the market for this metal, as for other commodities, due to the loss of confidence in world economic prospects.

Stocks of lead at the London Metal Exchange (LME) ended 2008 at more or less the same level as they began the year, at around 45,000 tonnes, despite having risen to more than 100,000 tonnes in the middle of the year (June 27, 2008).

The supply-demand balance reversed during the year, moving from a 67,000 tonnes deficit in 2007 to a 19,000 tonnes surplus in 2008. Global production was 8.725 million tonnes, an increase of 7.5% on 2007. Consumption rose by 6.4% over the year, to 8.706 million tonnes.

Zinc: market hit by the recession

2008 saw price extremes range from a high of $2,825/tonne on March 6, 2008 to a low of $1,042/tonne on December 12, 2008.

Stocks of zinc at the LME varied from 88,250 tonnes on January 2, 2008 to 253,625 tonnes on December 23, 2008[1].

The slight surplus, of 47,000 tonnes, in 2007 widened to a surplus of 195,000 tonnes in 2008. World production was 11.683 million tonnes, with demand of 11.488 million tonnes.

1.2 Industrial operations

Nordenham lead (Germany)

The Nordenham plant, operated by Weser Metall GmbH, produces lead ingots from both primary materials (lead concentrates) and secondary materials (lead from used batteries).

Despite closure for scheduled maintenance in March 2008 production was 130,000 tonnes, from 125,000 tonnes in 2007. This excellent performance was the result of capital expenditure aimed at improving the preparation of raw materials in order to limit interruptions to production and reduce energy consumption.

FMM SA (Belgium)

Through its FMM SA subsidiary, the Recylex group operates a lead smelting plant in Belgium which produces lead alloy ingots from recycled materials.

In early 2008, the Institut Bruxellois de Gestion de l'Environnement (IBGE) recorded a high level of mercury in the smoke emitted from the chimney on the FMM site, probably due to accidental pollution of its raw materials, as its operations are limited to processing materials that do not contain mercury. Lead smelting and refining operations were suspended immediately, whilst the company continued to collect and sell spent batteries. FMM was able to recommence its lead production activity on June 3, 2008 after having introduced a system for monitoring mercury levels in furnace flue gases and for capturing this metal should it be present in processed materials.

Despite this incident, the results of this business were broke even at the operating level in 2008.

Battery processing

The Recylex group recycles used batteries at three centres: two in France (Escaudœuvres and Villefranche-sur-Saône) and one in Germany (Oker).

The lead produced from this process is sold to the Nordenham plant for smelting.

After an exceptional year in 2007 with 140,000 tonnes of used batteries recycled, 2008 ended on about 122,000 tonnes processed due to lower stocks at battery collection centres. The third quarter of 2008 showed a decline in the overall level of collection due to sharp drops in scrap and metal prices.

The Group's three battery crushing plants had scheduled closures for maintenance in the summer of 2008.

(1) Source : ILZSG (International Lead and Zinc Study Group).

Zinc oxides

The Recylex group indirectly owns 100% of Norzinco group, which operates two plants: the first is located in Anzin, near Valenciennes, and is operated by Norzinco SA, whilst the second, in Oker, Germany, is operated by Norzinco GmbH. In 2008, Norzinco SA sold the totality of its shares in Norzinco GmbH to Harz-Metall GmbH as part of an intra-group restructuring.

Despite considerable efforts to improve the productivity of the Anzin plant, it failed to reach break-even, due particularly to the pressure on the scrap zinc market which eliminated margins at Norzinco SA. The Board of Directors of Norzinco SA therefore took the decision to begin discontinuing the business in the final quarter of 2008, a process that will be completed in 2009.

By contrast, the German plant operated by Norzinco GmbH, which uses a more modern industrial process which allows it to handle a range of raw materials, managed to remain profitable despite the sharp fall in zinc prices in 2008.

Recycling of steel mill dust

The Recylex group recycles steel mill dust through two companies operating large-scale rotating kilns using the waelz process: Harz-Metall GmbH (Oker, Germany) and Recytech SA (Fouquières-lès-Lens, France, in which the Recylex group has a 50% holding).

Starting in the third quarter of 2008, a number of steel makers scaled back production, resulting in a fall in the supply of material for processing. The maintenance works planned for 2009 were therefore brought forward to December 2008 for the German plant and January 2009 for the French plant.

Plastics recycling

The Recylex group recycles plastics (mainly battery cases) via two subsidiaries: C2P SAS, located in Villefranche-sur-Saône, France, and C2P GmbH in Oker, Germany. The polypropylene produced is sold mainly to automotive component makers.

The Villefranche-sur-Saône site enjoyed an excellent first half in 2008, before suffering from a decline in orders from the automotive sector in the second half of the year.

Special metals

PPM Pure Metals GmbH, based in Langelsheim, Germany, and its subsidiary Reinstmetalle Osterwieck GmbH (RMO), based in Osterwieck, Germany, produce special metals.

The main metals processed in 2008 were arsenic and germanium.

1.3 Investment

In 2008, the Recylex group carried out an investment programme for a total of €15.1 million, concentrated on the maintenance of industrial facilities. The distribution of this investment by business area was as follows:

- lead: €9.4 million;
- zinc: €4.1 million;
- special metals: €1 million;
- plastics and infrastructure: €0.6 million.

1.4 Group results in 2008

There were no major changes in the scope of consolidation between the two periods (2007 and 2008).

Consolidated revenues at the Recylex group were €367 million in 2008, a fall of 28% on 2007 due to the collapse in the prices of lead (25%) and zinc (47%).

The Group reported a consolidated net loss of €49.7 million, compared to a consolidated net profit of €67.7 million in 2007.

The consolidated net loss in 2008 consisted mainly of the following elements:

- current operating profit (loss): –€27.9 million;
- other operating expense of €22.6 million, consisting mainly of a provision for claims of €15.5 million and additional provisions for impairment of €5.4 million;
- tax charges (income): €3.1 million.

The Recylex group's business is concentrated on recycling of lead, zinc and plastics. It is organised around the local processing of materials, thus limiting the risks associated with transport of materials. These elements characterise the Recylex group's approach. The Group communicates regularly with local and national authorities regarding its approach.

At present, the Group's main clients are located in Europe; however, in the event of a decline in European demand, the Recylex group has the capacity to serve a non-European client base through the development of export activities.

The main balance sheet trends were as follows:

Other non-current assets: (+€2.9 million)

"Other non-current assets" increased by €2.9 million, largely due to the redemption value of reinsurance contracts to cover retirement obligations taken out by six subsidiaries in Germany. These contracts were recorded under "Other current assets" at December 31, 2007 at €1,910 thousand.

Inventories: (–44%)

The fall in inventories was due mainly to the decline in lead prices in euro terms and the reduction in the quantity of lead stocks at the Weser Metall GmbH foundry (Nordenham) at December 31, 2008.

Trade receivables: (–54%)

Receivables at Weser Metall GmbH fell by €21 million following the fall in lead prices in euro terms.

Current income tax assets: (+€2.7 million)

Current income tax assets increased by €2.7 million following the increase in tax receivables at Recylex GmbH and Harz-Metall GmbH and advance income tax payments made by Recytech SA.

Derivative financial instruments (–57%)

This change was due mainly to a reduction in the number of hedging instruments on raw materials (lead) and a fall in their fair value.

Non-current provisions (+€16.3 million)

Non-current provisions increased following an allowance to provisions for risks relating to on-going labour tribunal cases concerning former employees of Metaleurop Nord SAS. The Group made provision in the accounts closed on December 31, 2008 corresponding to the full amount, after discounting, of the rulings passed down on June 27, 2008 by the Industry section of the Conseil de Prud'hommes de Lens (Lens labour tribunal) and of the claims lodged before the Management section of the same tribunal. The total provision is €15.5 million after discounting.

Non-current tax liabilities

Changes to this heading result from alterations in the calculation of deferred tax liabilities relating to stocks of German companies (local GAAP: LIFO, IFRS: weighted average price).

Current borrowings: (–50%)

The change results in the reduction of the counterpart of factored invoices at Norzinco GmbH, Norzinco SA and Weser Metall GmbH.

Other current liabilities: (–24%)

Tax and employee-related liabilities fell sharply (by €6.2 million) due to a reduction of income tax and business tax liabilities for Recylex GmbH and Weser Metall GmbH.

Trade payables (–32%)

The change in trade payables resulted from the collapse in lead and zinc prices. Over the course of 2008, the average prices of these two metals fell by 25% and 47% respectively compared to 2007.

Current tax liabilities (–29%)

Current tax liabilities stood at €7.9 million (from €11.2 million on December 31, 2007). These mainly concerned the Group's German entities.

2. Key developments

2.1 Major events

Norzinco SA

Norzinco SA, a subsidiary of the Recylex group, began the process of closing its scrap zinc recycling business located in Anzin in October 2008. The management team at Norzinco SA spent several months seeking a possible buyer for this business, but failed to identify an acceptable buyer. Significant investment had been devoted to relaunching and maintaining production facilities, but the technology used at Anzin proved to be too outmoded to allow it to become profitable in a declining European market for zinc oxides and competing against export terms for scrap zinc. Sharp fluctuations in the international market price for zinc generated substantial additional costs for Norzinco SA's business, which had been structurally loss-making since 1995, with the exception of 2006, when zinc prices hit record levels. Norzinco SA's management team was keen to support all employees at the company and in particular cooperated with government bodies to offer them professional transition contracts ("contrat de transition professionnelle" or CTP), for the purpose of supporting a process of professional transition, including support, training and/or trial periods working in other companies. The closure program is being pursued with the support of a reduced workforce, concentrated in particular on the mitigation of any environmental impact caused by its business activities prior to final discontinuation, working in close cooperation with environmental protection bodies. Environmental audits carried out in 2002 and 2007 and a programme of testing in December 2008 revealed no additional pollution since Recylex SA took an indirect share in Anzin operations in 2002.

Harz-Metall GmbH

In December 2008, Harz-Metall GmbH, a subsidiary of Recylex GmbH, announced the temporary suspension of waelz oxide production from the recycling of zinc-enriched steel mill dust. This measure was the result of significant market events, which saw a reduction of production by steel makers and partial or full production stoppages at major zinc refining clients, leading to a fall in the volume of material to be processed and a contraction in demand within a low zinc price environment.

Algeria

During 2008, Recylex announced its first step towards international development beyond the borders of its countries of origin (France, Germany and Belgium), through the creation in Algeria of an automotive battery recycling centre in partnership with a complementary French metals recycling company and an expert in the Algerian recycling and procurement market. This centre will be operated by Eco-Recyclage, an Algerian company in which Recylex holds a 33.33% stake.

Construction of the plant at Aïn Ouassara (200 km south of Algiers) has fallen behind the original schedule due to unexpected developments during construction, relating to the configuration of the site and the administrative procedures in force.

The plant will meet the requirements of ISO 14001 and initial trials of battery processing are planned for the end of the first quarter of 2009.

On-going litigation

The legal claims lodged against Recylex SA by former employees of Metaleurop Nord SAS on the one hand and by the liquidators of Metaleurop Nord SAS on the other hand are still on-going.

Former employees of Metaleurop Nord SAS:

1. On June 27, 2008, the Industry section of the Lens labour tribunal considered that the Company was co-employer of 493 former non-managerial staff of Metaleurop Nord SAS and awarded each plaintiff damages of €30,000 plus €300 in costs, representing a total of €14.9 million. It also decided that these amounts should be incorporated into the liabilities of the Company's continuation plan, paid off in instalments. The Company has appealed these decisions, thus suspending execution. The next hearing before the Douai Appeal Court is due to take place on June 26, 2009.

2. On September 30, 2008, the Management section of the Lens labour tribunal could not reach a decision on the claims from 91 former managerial staff of Metaleurop Nord SAS for damages of €30,000 plus €300 in costs, representing a total of €2.8 million. The cases shall be heard again on May 20, 2009 by the Management section of the Lens labour tribunal under the presidency of a judge from Lens District Court.

A provision for the total amount claimed by the former employees of Metaleurop Nord SAS, representing approximately €17.7 million (before discounting) has been constituted in the financial statements.

The liquidators of Metaleurop Nord SAS:

The liquidators of Metaleurop Nord SAS brought proceedings against the Company for repayment of the liabilities of Metaleurop Nord SAS amounting to €50 million. On February 27, 2007, the commercial division of Béthune Regional Court dismissed the claim, considering that the Company was not the de facto manager of Metaleurop Nord SAS. The liquidators appealed the judgment. 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'État for the following reasons.

The Company had argued that the action for repayment of liabilities 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 the court-supervised procedure to rehabilitate the Company begun on November 13, 2003. The liquidators had asserted the existence of a provision in the regulations dispensing them from doing so. Pursuant to the judgment of Douai Appeal Court, on February 12, 2009 the Company applied to the Conseil d'État for a preliminary ruling on legality. The preliminary ruling from the Conseil d'État is awaited before the Douai Appeal Court can rule on either the admissibility or the merits of the case.

No provision has been made in consolidated accounts or the accounts of Recylex SA against the claim by the liquidators of Metaleurop SAS, given the ruling in favour of Recylex SA of the Béthune Regional Court.

It should be noted that the sums claimed in these cases were not included in the continuation plan approved by the Paris Tribunal de Commerce on November 24, 2005 and that if these claims result in an unfavourable outcome for Recylex SA, the implementation of the continuation plan could be jeopardised.

Recylex SA continuation plan

The Group continues to give the highest priority to meeting the commitments made by Recylex SA under its continuation plan, with objectives of equal importance being the maintenance of its 672 employment positions, assumption of its environmental responsibilities and the repayment of outstanding frozen liabilities of some €18.5 million (€25 million before elimination of intra-group debts) on a seven-year schedule. To this end, the third annual payment under the plan, for a sum of approximately €2 million, was made in November 2008.

The fourth annual payment, due in November 2009, will be about €2 million.

2.2 Recent trends and outlook

Metal prices have recovered slightly in early 2009, but are still well below their average levels of recent years.

2.3 Post-closure events

In January and February 2009, lead and zinc prices fluctuated between $1,000/tonne and $1,200/tonne.

With demand for zinc remaining weak, the Group's steel mill dust recycling plants continued their maintenance closures in the first quarter of 2009.

Given the economic slowdown and the lack of any signs of recovery in the short term, the Group has suspended all non-essential investment and is committed to preserving cash reserves by continuing to focus on strict control of its costs.

3. Sales and earnings (parent company accounts)

Recylex SA reported a net loss of €22.9 million for the year to December 31, 2008, due mainly to the creation of a provision of €17.7 million following the rulings of June 27, 2008 by the Lens labour tribunal concerning claims from former non-managerial staff of Metaleurop Nord SAS (see section 2.1 "On-going litigation" of this report).

A resolution will be laid before the General Meeting of Shareholders called to approve accounts for the year to December 31, 2008, to allocate €22.9 million to the "Retained earnings" account, which will then show a deficit of €6.3 million.

The battery recycling business (outside holding activities and environmental expenditure) generated sales of €58 million and operating profit of €1.4 million.

A table showing earnings at Recylex SA over the past five years is provided in section 18 of this report.

3.1 Borrowings

No new financial borrowings were taken out by the Company during the financial year, and it continues to generate positive cash flow from operations.

The Company met the third annual payment commitment under its continuation plan on November 24, 2008, paying €2 million to its creditors.

At December 31, 2008, financial and operating debts stood at €28.5 million, of which €22.4 million will fall due in more than one year under the continuation plan. Debts frozen under the continuation plan do not bear interest.

The Group's interest-bearing borrowings are described in the note 14 of the notes to the consolidated financial statements.

3.2 Description of the main risks and uncertainties to which the Group is exposed

3.2.1 Financial risks

Specialising in zinc, lead and plastic recycling and special metals, the Group is exposed to currency and interest-rate risk and the risk of fluctuations in commodity prices. It is also exposed to other risks, such as counterparty and liquidity risk.

The Group has formalized its policy and introduced a handbook of procedures designed to measure, manage and control exposure to market risks. The policy prohibits taking speculative positions on the market and involves using derivatives to cover some of the Group's exposure to currency and commodity risk. The procedures are already in place for the Group's main companies and will be extended to its smaller entities.

Financial instruments are taken out in the over-the-counter market with a highly rated counterparty. The Group primarily uses futures and options.

The derivatives cover existing or expected financial and commercial exposure. Positions in financial instruments are tracked on a fair-value basis.

Currency and commodity risk is managed locally by the Group companies concerned under the oversight of the Group's finance department.

Commodity risk

The Group is exposed to the risk of fluctuations in metal prices, especially for lead and zinc, over which it has no influence. The prices for the two metals are quoted in US dollars on the London Metal Exchange. Exposure results from additional metals recovered from materials processed, as well as from sales prices not matching the purchasing prices for scrap; the recycled metals are sold based on the quoted market prices but the scrap input materials (batteries) are bought at prices which are not directly linked to the quoted market prices.

The Group uses derivatives (futures and options) to hedge the risk of fluctuating metal prices (lead and zinc).

Hedges for lead and zinc were taken out in 2008.

Currency risk

The Group is exposed to currency risk arising from transactions between its subsidiaries in currencies other than their operating currency. Some procurement contracts in particular are denominated in dollars. The Group's practice is not to hedge this currency risk.

At December 31, 2008, the Group no longer had any dollar-denominated commodity derivatives to hedge euro-denominated sales. All commodity derivatives are taken out in euros.

Interest rate risk

Most of the Group's long-term debt is with Recylex SA, the holding company, Recylex GmbH, Weser Metall GmbH and RMO GmbH. Given the Group's situation, its debt chiefly comprises rescheduled liabilities under Recylex SA's continuation plan and four loans contracted by Recylex GmbH, Weser Metall GmbH, C2P GmbH and RMO GmbH. The loans contracted by Recylex GmbH and C2P GmbH are at fixed rates, those contracted by Weser Metall GmbH and RMO GmbH are at floating rates.

The debt resulting from the continuation plan does not bear interest. The Group uses interest-rate derivatives to cover the interest-rate risk on the two floating-rate loans.

Counterparty risk

The Group would be exposed to credit risk if a counterparty failed. The Group's credit risk policy varies from one sector to another.

Credit risk linked to trade receivables

Based on the information at its disposal, the Group does not anticipate any third-party failures that may have a material impact on its financial statements. However, given the current economic and financial situation, which is particularly difficult and uncertain, failures among Group customers cannot be ruled out.

In the lead sector, the Group maintains commercial relationships with a limited number of customers whose financial strength is proven and to which the payment terms granted are very short. However, for reasons set out above relating to the current exceptional economic and financial environment, the Group cannot completely rule out the possibility of failures among its customers.

In the other segments, notably zinc, in which the customer base is fragmented, the Group hedges up to 17% of counterparty risk using specific insurance policies. In addition, outstanding customer balances are constantly monitored, which helps to curb the Group's exposure to payment defaults.

Credit risk linked to cash and cash equivalents and derivatives

Currency and commodity hedges and treasury investments are made with prime financial institutions. However, in view of the current exceptionally difficult and uncertain financial context in the banking sector, the failure of financial institutions cannot be entirely ruled out.

Liquidity risk

Recylex SA's debt was rescheduled after the Paris Commercial Court accepted the continuation plan on November 24, 2005 (see note 18 in the notes to the consolidated financial statements).

The Company has made the first three repayments to its creditors under the continuation plan, amounting to €11.4 million in 2006, €11 million in 2007 and €2.3 million in 2008.

The Company has prepared monthly cash forecasts for 2009 on the basis of available information, in particular outlays relating to outstanding instalments due to creditors in 2009.

The Group's subsidiaries have also prepared cash flow projections for 2009.

In view of the economic downturn, reflected in a fall in metal prices, the Group has drawn up a conservative cash flow forecast which shows a reduction in cash flow and no short-term financing requirement. This is due amongst other things to the Group's substantial cash position at December 31, 2008 and the amount of outstanding instalments to be paid off under the continuation plan over the period to 2015, being on average €2.7 million per year.

Available cash amounted to €77.4 million at December 31, 2008. This level of cash is compatible with the Group's debt instalments and repayments to creditors under the continuation plan.

3.2.2 Operational risks

Group entities operating lead smelters and other production sites are exposed to the risk of production stoppages due to incidents such as power cuts or shortages of essential materials. Each Group subsidiary has taken measures to forestall such risks, such as preventive maintenance, the constitution of stocks of essential items and other operating procedures.

The Group also has a limited number of raw materials suppliers, which could represent a risk of failure or loss of supply. The use of replacement sources of supply can be envisaged, albeit with a potential impact on processing costs. In view of the current exceptionally difficult and uncertain economic context, a failure of the Group's suppliers cannot be entirely ruled out.

4. Changes in valuation methods

No change in valuation methods was introduced in 2008. However, a change in the method of presentation was operated with the anticipated application of IFRS 8 regarding "Operating segments".

5. IFRS

Pursuant to EC regulation no. 1126/2008 adopted on November 3, 2008, the Recylex group has prepared its consolidated financial statements for the year to December 31, 2008 in accordance with the International Financial Reporting Standards (IFRSs) as adopted in the European Union at the preparation date of these financial statements.

6. Research and development

No significant research and development spending was undertaken in 2008.

7. Acquisitions of equity stakes and controlling stakes

No equity stake or controlling stake was acquired over the course of 2008.

8. Non-deductible expense

Expenses that were not tax deductible came to €17,559 in 2008.

9. Dividend payments in the past three years

No dividend has been paid by Recylex SA in the past three years.

10. Treasury stock transactions and holdings

At December 31, 2008, Recylex SA held 73,939 treasury shares, representing 0.3% of capital. The Company neither bought nor sold any of its own shares during 2008.

In accordance with the provisions of article L. 225-209, paragraph 2, of the French Commercial Code, we set out below information on purchases of the Company's own stock made under previous authorisations and in particular, for each of the authorised purposes, the number and price of shares acquired, the volume of shares used for the purpose and any reallocations made to other purposes.

We remind shareholders that the Combined General Meeting of March 30, 2000 authorised the Board of Directors, for a maximum period of eighteen months, to acquire a number of shares up to a maximum of 5% of the number of shares making up the issued share capital, for a maximum purchase price of €16 and a minimum sale price of €7.

The meeting also authorised the Board of Directors to use such shares for the purposes of regularising the share price, allocation or sale of shares to employees as part of a distribution of the benefits of the Group's expansion, transfer to employee shareholding or company savings funds, cancellation of shares under conditions set by the General Meeting, sale, exchange or any other transfer or for the implementation of a policy of asset and financial management, noting that the purchase, sale or transfer of shares could be made at any time and using any means, including options and similar mechanisms.

Under this share acquisition authorisation, the Company purchased 73,939 of its own shares between September 2000 and June 2001.

A resolution of the General Meeting of September 26, 2005 approved the allocation of these 73,939 treasury shares for the purpose of use in stock option schemes for employees and company officers.

The General Meeting of July 16, 2007 authorised the Board of Directors to allocate, in accordance with the provisions of articles L. 225-197 to L. 225-197-3 of the French Commercial Code, in one or more sections, existing 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 company officers of the Company and/or related companies as defined in article L. 225-197-2 of the French Commercial Code.

The same General Meeting also set the vesting period after which the allocation of shares to beneficiaries would become definitive at a minimum of two years from the date of allocation. It also set the minimum period for which beneficiaries must hold the shares after vesting at two years.

The General Meeting of May 6, 2008 adjusted the above authorisation in respect of those beneficiaries residing in Germany to extend the vesting period to four years but remove any minimum holding period for these beneficiaries.

Under this authorisation, on September 26, 2008, the Board of Directors of the Company introduced a plan to allocate 50,000 free shares.

A resolution will be laid before the General Meeting on May 12, 2009 to authorise, in accordance with articles L. 225-209 *et seq* of the French Commercial Code, a share buy-back programme, details of which are appended to this report, to a maximum of 10% of the Company's capital on the day of the General Meeting.

11. Current delegation of authority and powers approved by the Shareholders' Meeting to the Board of Directors related to capital increases

The Combined General Meeting of May 6, 2008 delegated to the Board of Directors, for a period of twenty-six months, its power to approve increases in the Company's capital by issuing ordinary shares or securities giving access to existing ordinary shares or ordinary shares to be issued by the Company, reserved for employees of the Company or of related companies, who are members of company savings scheme, or through the free issue of ordinary shares or securities giving access to existing ordinary shares or ordinary shares to be issued by the Company, notably through incorporation in capital of reserves, earnings or premiums within legal and regulatory limits.

These delegated powers were not used during 2008.

12. Employee share ownership

At December 31, 2008, Group employees did not own any Recylex SA shares through employee share ownership or other similar plans.

Following the acquisition by the Company of 73,939 of its own shares as part of the share buy-back programme authorised by the Combined General Meeting of March 30, 2000, the Ordinary General Meeting of September 26, 2005 approved the allocation of these treasury shares to the purpose of allocating free shares to Group employees, and particularly through the use of a stock option scheme for employees and company officers.

The General Meetings of July 16, 2007 and May 6, 2008 authorised the Board of Directors to allocate freely, in one or more sections, existing 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 company officers of the Company and/or related companies as defined in article L. 225-197-2 of the French Commercial Code.

In accordance with this authorisation, on September 26, 2008, the Board of Directors of Recylex SA introduced a plan to allocate 50,000 free shares, with a view to the beneficiaries participating in the performance of the Group through the increase in value of the free Recylex shares allocated to them. These shares will be vested in the beneficiaries after two years (September 26, 2010) for beneficiaries residing in France and four years (September 26, 2012) for beneficiaries residing in Germany, provided that they remain in employment with a Group company, unless otherwise provided for by the plan. Shares vested in beneficiaries residing in France must be held for a minimum period of two years after vesting (to September 26, 2012).

In addition, during 2008 the Company introduced a stock option plan covering 540,000 stock options for the benefit of Group employees and company officers, in accordance with the authorisation granted by the General Meeting of July 28, 2006.

13. Employment policy

At December 31, 2008, the Group employed 672 staff: 118 in France, 531 in Germany and 23 in Belgium.

13.1 Human resources

The information provided in this section concerns Recylex SA. Staff at the Company are located primarily in the Company's headquarters and at the battery reprocessing plants in Villefranche-sur-Saône and Escaudœuvres.

There were 35 full-time employees at Recylex SA on December 31, 2008, including 9 managerial employees, 15 supervisors and 11 non-managerial employees.

Two Quality, Safety and Environment managers were recruited in 2008 and are based at the Escaudœuvres and Villefranche-sur-Saône sites.

The ISO 14001 certification for both sites, received in 2007, was renewed in 2008.

On December 31, 2008, women made up 28% of the overall workforce and 22% of managerial staff.

In accordance with the principle of equal pay for doing the same job, men and women are classified according to the same pay scale as a function of the responsibilities of the post they occupy.

In 2008 Recylex employed 5 temporary staff, 2 at the Escaudœuvres site and 3 at Villefranche-sur-Saône.

Total personnel expense was €2.7 million in 2008, from €2.4 million in 2007.

Excluding internal training programmes, Recylex's training programme represented 1.39% of total salary expense, compared to the legal requirement of 1.60% for continuing professional development.

Employee training included the following programmes:

- safe vehicle operation (CACES);
- workplace first aid;
- labour law;
- languages;
- technical training;
- fire prevention and use of extinguishers;
- ISO 14001 awareness;
- management.

Working time is based on a 35-hour week, in accordance with agreements introduced in response to the law on reduced working hours.

One staff representative and one deputy representative are responsible for representing staff before management. In 2008 five meetings were held with staff representatives.

During 2008, 409 overtime hours were worked. Average absenteeism was 1.84%.

The overall salary increase is revised each year.

At December 31, 2008, the company did not have any handicapped workers.

Workers and supervisors receive a thirteenth month payment in December and a half-month bonus payment in June. All employees receive a family supplement.

The company sub-contracts several services including transport of supplies, maintenance of grounds at its sites, office and workshop cleaning and maintenance of its production facilities. In 2008, 13 staff from external service providers were assigned to Recylex SA.

The Company maintains close relationships with local authorities such as municipal councils and Industry, Research and Environment agencies. It also participates actively in local communities, most notably through its support of sporting and cultural associations.

13.2 Health and safety

The strict legislative limits on lead exposure have required increased measures to prevent lead poisoning.

Given the limited number of employees on its production sites, Recylex has chosen to focus on those employees most at risk. This is done in cooperation with medical officers, with whom Recylex works extremely closely and who provide invaluable support.

Recylex SA is doing everything necessary to ensure that the blood lead levels of employees exposed to lead remains below the legal maximum of 400 µg/l.

In terms of safety at work, the Escaudœuvres plant regrettably suffered an accident, resulting in the injured employee being off work for three days, in 2008. There were no accidents at the Villefranche-sur-Saône plant.

No work-related illnesses were declared at Recylex SA's plants in operation.

During 2008, a health, safety and environment (HSE) audit was carried out across all Group sites by an external consultancy, which produced an in-depth analysis of health, safety and environmental risks. Based on this report, which was generally positive, management of HSE performance indicators at a Group level has been strengthened. A revitalized plan to improve health and safety risk management will be introduced during 2009 for the Group's French and Belgian plants, as a first stage.

14. Environmental protection

14.1 Overview

The Recylex group was created in 1988 through the merger of the non-ferrous metals division of German company Preussag AG (now TUI AG) and the French company Peñarroya. Over the past ten years, the business has been transformed from a primary producer of lead and zinc (from metal concentrates) into a recycling business, with recycled materials now accounting for 70% of lead production and 100% of zinc production.

French sites

In France, Recylex SA manages directly two operational sites, in Villefranche-sur-Saône (Rhône) and Escaudœuvres (Nord), and the closed site at L'Estaque-Marseille (Bouches-du-Rhône). Three other sites are managed by subsidiaries: C2P SAS in Villefranche-sur-Saône and Norzinco SA in Anzin (Nord), a classified site under the Seveso directive and Recytech SA, in which the Company holds a 50% stake, in Fouquières-lès-Lens (Pas-de-Calais).

The Group also has responsibilities for 17 mining concessions, resulting from the past mining holdings of Peñarroya.

German and Belgian sites

Through its subsidiaries the Group controls seven sites operated under licence: one in Belgium, managed by FMM SA (Brussels); and six in Germany, managed by Weser Metall GmbH in Nordenham (Bremen) which is classified under the Seveso directive, Harz-Metall GmbH, Norzinco GmbH and C2P GmbH in Goslar-Oker, PPM GmbH in Langelsheim and RMO GmbH in Osterwieck (Lower Saxony).

14.2 Environmental performance

In accordance with the regulations governing disclosure of environmental information, Recylex SA presents below its “Environmental Performance” for 2008 using the same format as in previous annual reports to facilitate comparison. The information provided in this report concerns the sites of material interest in terms of their environmental risk.

The only direct operational industrial sites of Recylex SA are the “breaking plants” at Escaudoeuvres and Villefranche-sur-Saône. Both sites are located in industrial zones, far from any protected area, and therefore require no special protection measures. Due to the closure of smelting furnaces on these two sites, in 1999 and 2001 respectively, their environmental impact has decreased significantly since closure.

Relevant values, as measured or calculated, are provided in the table below(1):

	Annual total for Recylex SA 2007	Annual total for Recylex SA 2008
Water consumption measured		
Wells and municipal water	20,116 m^3	14,883 m^3
Energy consumption measured		
Natural gas	2,515 MWh	2,209 MWh
Electricity	1,807 MWh	1,558 MWh
Waste produced eliminated in authorised disposal sites (CET1)	3,492 tonnes	2,714 tonnes
Air emissions		
Lead (channelled emissions measured)	12.9 kg	4.5 kg
Cadmium (channelled emissions measured)	0.04 kg	0.04 kg
Total of other heavy metals (channelled emissions measured)	3.3 kg	3 kg
HCI (channelled emissions measured)	< 10 kg	< 10 kg
SO_2 (channelled emissions measured)	< 100 kg	< 100 kg
NOx (channelled emissions measured)	404 kg	143 kg
COV (channelled emissions measured)	< 200 kg	< 200 kg
CO_2 (greenhouse gas calculated)	518 tonnes	455 tonnes
Discharges in water (discharge measured)		
Lead	0.99 kg	2.0 kg
Arsenic	0.58 kg	0.55 kg
Cadmium	0.68 kg	0.50 kg

(1) In general, measured data are obtained by self-monitoring. This self-monitoring is verified at least once a year by an authorised body and subject to unannounced checks by the Regional Authorities for Industry, Research and the Environment (DRIRE).

Notes on 2008 performance:

- water resources were conserved through water recycling within processes. Increased rainfall over the year also helped reduce water extraction;
- the reductions in energy consumption and waste output related to the decline in business levels at the two battery breaking sites;
- discharges of metals into water remained low, with levels frequently close to analytical limits.

Due to industrial activity, ground at the two sites is subject to a degree of contamination due to transfers of airborne dust. The quality of air, soil and plants are subject to regular checking in the vicinity of the sites. Recylex SA sites are subject to monitoring for health risks due to levels of lead in soil adjacent to the sites, a process conducted in cooperation with the appropriate authorities in order to determine any risks to neighbouring sites.

Based on the results of these studies, public utility easements introducing usage restrictions were established in May 2004 in Escaudœuvres and in November 2005 at Villefranche-sur-Saône In 2008, Recylex SA was approached by the owner of a site adjacent to Villefranche-sur-Saône with a view to seeking compensation for a loss of value of the land owned due to the existence of these easements. A settlement is in the process of being negotiated.

No complaints regarding odours were received in 2008. One complaint was received regarding noise in 2008, at the Escaudœuvres site, which was rapidly resolved.

Recytech SA reduced its natural gas consumption by more than 50% over the course of 2008, thanks to the optimisation of the furnace used to process steel mill dust. Investment in 2008 focused on reducing mercury emissions and building new watertight areas to protect the soil.

Norzinco SA and Recytech SA do not produce any industrial effluent.

14.3 Internal management and prevention structures

The Company has developed an Environmental Management System which is applicable throughout the Group and conforms to the ISO 14001 principle of continuous improvements to environmental standards.

The EMS creates a framework for the Group to identify the impact of its activities, define improvement targets, implement action plans and evaluate progress.

The implementation of environmental policy requires the skills of local managers of sites and subsidiaries in ensuring that environmental parameters are respected and providing a channel of communication with local authorities and communities.

During 2008, a health, safety and environment (HSE) audit was carried out across all Group sites by an external consultancy (see section 14.2: health, safety and environmental risks).

Since May 2008, when the Escaudœuvres site received certification, all Group sites producing lead-containing material hold ISO 14001 certification.

14.4 REACH procedure

Adopted in December 2006, EC regulation no. 1907/2006 REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) came into force on June 1, 2007 and covers the control of the manufacture, importing, sale and use of chemical substances.

REACH is a significant turning point in the regulation of industrial chemicals and will have a major impact on the ways in which producers, importers and users of chemicals operate. Significant benefits are expected in terms of protection of human health and the environment, through better knowledge of the substances, the risks involved in their use and, where required, reductions or complete bans on their use.

REACH consists of four main procedures:

- registration of chemicals;
- evaluation of chemicals;
- authorisation of chemicals;
- potential restriction of chemicals.

The Group is directly concerned by REACH and works closely with international professional organisations, such as the REACH Lead consortium (International Lead Association in London) for lead-based chemicals and the REACH Zinc Consortium (International Zinc Association in Brussels) for chemicals containing zinc, regarding the implementation of various stages of the process. During 2008 the Group responded to the first phase of the registration process; the pre-registration of substances produced in the Group's factories. In accordance with REACH regulations, the definitive registration of substances must be completed before December 1, 2010.

14.5 Measures taken to improve energy efficiency and reduce environmental impact

The energy saving measures taken are part of a long-term strategy to optimize the flows of materials between the various plant facilities. The factories use natural gas and electricity for their energy needs.

This strategy has resulted in the progressive discontinuation of the traditional smelting and refining activities, and the conversion of the sites into breaking and sorting centres. The metallurgic processing of lead bearing materials has been concentrated at a single Group site that invested in a new generation furnace about ten years ago.

Particular attention has been paid to CO_2 emissions generated by the transport of material between the French sites and the Nordenham site in Germany, with 100% of its transport by water rather than by road.

Recycling by its very nature makes economical use of raw materials, and the reorganisation of production has considerably reduced the quantity of waste sent to high-risk (CET1) landfill.

14.6 Environmental expenditure

Environmental expenditure falls into two distinct categories: expenditure on equipping, operating and monitoring current operational sites, and costs relating to the remediation of the former production and mining sites of Recylex SA.

Expenditure related to active sites

Environmental expenditure for the two active Recylex SA sites came to €857 thousand in 2008, 46% of total investment, with operating, control and research expense of €657 thousand.

Provisions for risks relating to the easements around the Villefranche-sur-Saône site stood at €150 thousand on December 31, 2008.

Norzinco SA began the process of discontinuing its zinc recycling business at Anzin in October 2008. The discontinuation process began and is being pursued in accordance with the legislation set out in the Environmental Code, with notably the creation of a discontinuation log-book in cooperation with prefectoral authorities and the Anzin (Nord) local authority.

Expenditure relating to discontinued industrial sites

The L'Estaque site was the only former industrial site which was subject to remediation research and works in 2008. Operation of the l'Estaque facility was halted in February 2001. The impact on the local environment was caused by metal residues and demolition waste, which will have to be stored in enclosed storage cells to be built on-site. Rainwater permeating the unprotected former waste facilities is contaminated with toxic elements, particularly arsenic. Rainwater is recovered and processed, but some penetrates the ground and pollutes the groundwater. Elimination of all the surface waste will help to prevent this spread of pollution.

A prefectoral decree of 2002 defines the remediation programme for this site and sets targets for soil quality after treatment. The programme to build waste storage capacity was subject to a firm offer in 2000 from a neighbouring industrial group but the contract was called into question by this same group in 2004 which resulted, in 2008, in the definitive cancellation of the contract. In November 2008, the Company was notified of a supplementary prefectoral decree, which modified the deadline for remediation works, extending it to December 31, 2011. In accordance with this supplementary decree, the Company submitted an alternative remediation schedule in January 2009, and this is now being considered by the relevant authorities.

During 2008, expenditure on this site came to €1,187 thousand, including €429 thousand in recurrent expenses and €446 thousand on rehabilitation of one area of the site.

The aggregate amounts of provisions covering the L'Estaque site rehabilitation programme were €16,577 thousand at December 31, 2008.

Recylex SA owns land and buildings that belonged to the former Penox SA activity in Rieux (Oise). The operator has sent the authorities and Recylex SA all the studies related to the planned discontinuation of its activities. There are no health-related consequences outside the plant, and industrial use of the site has been maintained. An application by the Government for restrictions on use is likely to be resolved in the first half of 2009. Several companies indicated an interest in acquiring the site in 2008, but the decline in economic conditions at the end of the year prevented potential purchasers from reaching a final acquisition decision.

Expenditure relating to mining sites

Recylex SA continues to hold a number of mining concessions which are no longer exploited. A long-term policy of abandoning these sites after their rehabilitation has been defined. The procedure for abandoning work at mining concessions depends on the Mining Code legislation. The operator has to perform work to ensure a sustainable closure of tunnels, as well as making safe the various installations required for mining activities and former mine waste storage areas. The risk of mining waters, which may contain pollutants, affecting the natural environment is also taken into account. As a result, three former mines have been equipped with water processing installations prior to discharge.

In 2004, Recylex defined a programme of securing its mining concessions, which was validated and kept updated with the French ministry with responsibility for mines and local authorities. The objective of finalising all renouncements by year-end 2010 has been extended to 2011.

In 2008, Recylex SA had planned to hand four mining concessions back to the Government, having received prefectoral decrees confirming that security works had been completed in accordance with the regulations. Following the reorganisation of the departments with responsibility for mines at both regional and national levels, Recylex SA's plans were postponed until the first quarter of 2009.

At end of 2008, Recylex held 17 mining concessions, having successfully renounced 12 concessions since 2004.

During the year, the cost of work performed amounted to €1,225 thousand in respect of closure costs for the Villeneuve-Minervois (Aude) and Semnon (Ille-et-Vilaine) concessions, the commencement of remediation works to the Noailhac-Saint-Salvy (Tarn) mining installation and the management of water treatment facilities.

During the 2008 financial year, an assessment of the additional work required at several mining facilities and the inclusion of an additional year of recurring costs resulted in an increase of projected costs of around €1,460 thousand.

The aggregate amount of provisions covering the entire former mining site rehabilitation programme came to €6,217 thousand at December 31, 2008.

In June 2008, Recylex SA sold all of its shares in Groupement Forestier de Malacan, which manages the Malacan Forest site, an area of some 60 hectares neighbouring the Noailhac-Saint-Salvy mining concession in the Tarn.

14.7 Information concerning foreign subsidiaries

The subsidiary with the potential to make the greatest contribution to the Recylex group's environmental performance is located in Nordenham, Lower Saxony, Germany. This site is rated Seveso II.

Evaluation of risks under Seveso regulations is carried out by specialist consultancy firms. An emergency plan has been drawn up with local authorities, but no risk of explosion that would cause harm to local residents has been identified. Liability insurance coverage amounts to €10 million.

The Nordenham site houses two operating companies: Weser Metall GmbH (lead) and Metaleurop Zinkbetrieb GmbH & Co. KG, which was sold to Asturiana del Zinc SL at the end of 2002.

Relevant values, as measured or calculated for the lead processing activity alone, are provided in the table below:

	Annual total for Weser Metall GmbH 2007	Annual total for Weser Metall GmbH 2008
Water consumption measured		
River water for cooling		
Melting furnace	2,913,430 m^3	1,794,580 m^3
Desulphurisation plant	4,305,603 m^3	4,652,310 m^3
Drinking water	221,430 m^3	189,182 m^3
Energy consumption measured		
Gas	146,277 MWh	127,040 MWh
Electricity	52,053 MWh	44,276 MWh
Minerals consumed	55,903 tonnes	67,447 tonnes
Waste transferred to CET1 equivalent storage centre	1,163 tonnes	456 tonnes
Air emissions		
Lead (point source emissions)	257 kg	230 kg
Lead (fugitive emissions)	355 kg	274 kg
Cadmium (point source emissions)	4.4 kg	2.3 kg
Cadmium (fugitive emissions)	0.6 kg	0.6 kg
SO_2 (continuously measured emissions)	335 tonnes	331 tonnes
CO_2 (greenhouse gas calculated)	29,963 tonnes	25,747 tonnes
NOx (measured emissions)	6.4 tonnes	6.1 tonnes
Effluvial discharge		
Flow	790 m^3	3,130 m^3
Lead (measured discharges)	2.30 kg	7.5 kg
Arsenic (measured discharges)	1.19 kg	2.72 kg
Cadmium (measured discharges)	0.06 kg	0.19 kg

Environmental performance improved, despite the fact that production increased by around 9%:

- water resources were conserved, thanks to abundant rainfall, but this also resulted in greater water discharges than in 2007;
- the reduction in energy use was due to a better mixture of materials fed into the furnace following optimisation of the drying equipment during 2008. Primary materials represented around 30% of total materials processed, the balance being recycled material;
- airborne emissions were stable and remained well below applicable standards.

The Group's other German subsidiary, Harz-Metall GmbH, located near Goslar, emitted 17.4 kg of lead and 18.8 kg of cadmium into waste water. Atmospheric emissions were very low.

In January 2008, the FMM SA subsidiary in Belgium suspended its "metallic" smelting activities following mercury pollution in the atmosphere around the plant. The source of the pollution was traced to a batch of raw materials which were contaminated with mercury. In June 2008, the environmental protection agencies approved recommencement of operations at the plant after its equipment with systems for capturing mercury from flue gases and for continuous monitoring of flue gas mercury content.

14.8 Environmental policy of foreign subsidiaries

In common with Recylex SA's French operations, foreign subsidiaries have a potential impact on their environment due to atmospheric emissions, particularly those of lead and cadmium.

The largest German sites have ISO 14001 certification and, in addition to a requirement to meet local regulations, they are required to make regular reductions in their emissions.

14.9 Provisions for environmental protection in Germany

The majority of industrial sites and waste storage facilities in Germany ceased operations prior to the merger of Preussag AG businesses and Peñarroya SA in 1988. Under German law, an operator remains liable for all the damage caused by its operations, even if it has sold the land to third parties. Accordingly, the majority of the costs of rehabilitating abandoned industrial facilities should be borne by Preussag AG, which has since changed its name to TUI AG.

Provisions recorded for German sites cover the rehabilitation obligations for ground and water tables, and in particular for former waste heaps and landfill sites. These obligations have been notified to the Group by local authorities.

Cumulative provisions for German sites stood at €11 million on December 31, 2008, including €9.4 million for the Harz-Metall GmbH site in Goslar-Oker and €1.5 million for the Weser Metall GmbH site. These provisions correspond to the best available estimates of costs based on technical reports from independent experts.

14.10 Compensation and fines

No fine was imposed in 2008 for violations of air, water or waste disposal regulations.

Some subsidiaries pay contractual compensation to farmers to reflect the potential negative impact that proximity to plants could have on product yield and quality. In 2008, Harz-Metall GmbH paid €50,000 in such compensation.

15. Elements liable to have an impact on the outcome of a takeover bid (article L. 225-100-3)

At December 31, 2008, Recylex SA's capital was held as follows:

	Shares	Voting rights
Glencore Finance Bermuda	32.16%	32.22%
Free float	67.54%	67.78%
Treasury shares	0.3%	–

In a letter of August 25, 2008, Amiral Gestion SA, on behalf of a fund that it manages, declared that on August 19, 2008 it exceeded the threshold of 5% of the Company's shares and voting rights and that it owned, on behalf of the said fund, 6.46% of shares and voting rights. Amiral Gestion indicated that its transactions formed part of its portfolio management activities and were driven by market opportunities. Amiral Gestion also indicated in its declaration that it ruled out any intention of seeking to take control of the Company and that it would not seek representation on the Board of Directors.

Under the Company's by-laws, double voting rights are assigned to fully paid-up registered shares that have been owned by the same shareholder for at least two years.

In the event that Mr Yves Roche's position is terminated following a significant change in the shareholder structure at Recylex SA supported by the Board of Directors, Mr. Roche will receive compensation equivalent to double the gross compensation paid to him under his mandate as a company officer in the most recent year prior to such termination, provided that Mr. Roche has facilitated such change and the transition to the new core shareholder. This compensation would be paid only after the Board of Directors has confirmed that these performance targets have been met.

16. Composition of the Board of Directors

The Board of Directors consists of four Directors. The mandates for two Directors will expire at the General Meeting of Shareholders held to approve accounts to December 31, 2008. The mandates of the other two Directors will expire at the General Meeting of Shareholders held to approve accounts to December 31, 2010.

The Company by-laws stipulate that each Director be elected for three years and must hold at least 20 shares.

At December 31, 2008, the Board of Directors was as follows:

Name	Function	Date of first appointment / latest renewal	End of mandate
Mr. Yves Roche	Chairman and Chief Executive Officer	04/21/2008 / 05/06/2008	General Meeting held to approve accounts to 12/31/2010
Mr. Aristotelis Mistakidis	Director	09/20/2002 / 05/06/2008	General Meeting held to approve accounts to 12/31/2010
Mr. Richard Robinson	Director	04/08/2003 / 07/28/2006	General Meeting held to approve accounts to 12/31/2008
Mr. Mathias Pfeiffer	Director	07/28/2006	General Meeting held to approve accounts to 12/31/2008

The list of directorships held by members of the Board of Directors at December 31, 2008 is as follows:

Mr. Yves Roche

Chairman and Chief Executive Officer	• Recylex SA
Chairman of the Board of Directors	• Norzinco SA • Recytech SA
Director	• FMM SA • Eco-Recyclage SpA
Supervisor	• Recylex Commercial SAS

Mr. Aristotelis Mistakidis

Director	• Recylex SA • Pasar
Chairman	• Portovesme srl • Mopani

Mr. Richard Robinson

Director	• Recylex SA • Recytech SA • Norzinco SA (as permanent representative of Recylex SA) • Crew Gold Corporation
Chairman	• Metalor Technologies International SA

Mr. Mathias Pfeiffer

Director	• Recylex SA
Chairman	• Hoesel & Siemer KgaA

17. Directors' remuneration

The General Meeting of Shareholders on July 28, 2006 set the total amount of attendance fees allocated to Directors at €110,000 for that year and subsequent years until a further resolution of the General Meeting.

The Board of Directors, meeting on December 12, 2006, decided to allocate attendance fees as follows:

- the Chairman of the Board of Directors of the Company receives €30,000 per year;
- each other member of the Board of Directors receives €20,000 per year.

Total attendance fees paid to Directors for 2008 were €90,000, being €30,000 paid to the Chairman and €20,000 to each other Director.

Concerning the variable element of the remuneration paid to Mr. Yves Roche, the Remuneration and Nomination Committee proposed that the level of the variable element should be set annually by the Board of Directors in the light of progress in achieving, over the course of the year, the qualitative targets set by the Remuneration and Nomination Committee each year. This proposal was adopted by the Board of Directors in a resolution of March 18, 2008.

The Board of Directors, meeting on March 18, 2008, approved the proposal of the Remuneration and Nomination Committee that Yves Roche be entitled to receive compensation should he be relieved of his duties as Chief Executive Officer following a significant change in Recylex SA's ownership structure, with the support of the Board of Directors, provided that Yves Roche has facilitated such change and the transition to the new core shareholder. This compensation amounts to double the compensation and benefits received by him pursuant to his appointment as Chief Executive Officer in the financial year preceding cessation of his duties and may not be paid until the Board of Directors has formally acknowledged satisfaction of the performance conditions.

In accordance with article L. 224-102-1 of the French Commercial Code and the recommendations of the AFEP-MEDEF Corporate Governance Code, total remuneration, including bonuses and any other benefits, paid by Recylex and companies it controls (including foreign companies) in 2008 to each company officer and director is set out in the tables below.

Table 1: Summary of remuneration, stock options and shares allocated to each Company officer

Mr. Yves Roche	2007	2008
Remuneration for the year (details in table 2)	€371,246	€357,416
Valuation of options allocated over the course of the year (details in table 4)	N/A	N/A
Valuation of performance-related share allocations over the year (details in table 6)	N/A	N/A
TOTAL	**€371,246**	**€357,416**

Table 2: Summary of remuneration paid to each company officer

Mr. Yves Roche	2007		2008	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed remuneration (gross)	€173,830	€173,830	€200,000	€200,000
Variable remuneration	€160,000	€160,000	€120,000	€120,000
Exceptional remuneration	N/A	N/A	N/A	N/A
Attendance fees	€30,000	€30,000	€30,000	€30,000
Benefits in kind (company car)	€7,416	€7,416	€7,416	€7,416
TOTAL	**€371,246**	**€371,246**	**€357,416**	**€357,416**

Table 3: Attendance fees and other remuneration paid to non-executive company officers

Non-executive Directors	Payments in 2007	Payments in 2008
Mr. Aristotelis Mistakidis		
Attendance fees	€20,000	€20,000
Other remuneration	None	None
Mr. Mathias Pfeiffer		
Attendance fees	€20,000	€20,000
Other remuneration	€12,000(1)	€298,410(1)
Mr. Richard Robinson		
Attendance fees	€20,000	€20,000
Other remuneration	€89,584(2)	€90,625(2) (3)
TOTAL	**€161,584**	**€449,035**

(1) Sums paid by Recylex GmbH under a service provision agreement dated 2007 between Recylex GmbH and Mr. Mathias Pfeiffer.
(2) Sums paid under a service provision agreement between Recylex SA and Argos Consulting in force to September 30, 2008.
(3) A service provision contract has been concluded between Recylex SA and HRI BVBA of which Mr. Richard Robinson is the manager. The terms of this agreement are described in the Auditors' special report on regulated agreements entered into during the year to December 31, 2008.

Table 4: Options to subscribe for or purchase shares allocated during the year to each company officer by the issuer and any other Group company

Company officer	Number and date of plan	Type of option (purchase or subscription)	Valuation of options under method used for consolidated financial statements	Number of options allocated during the year	Exercise price	Exercise period
Mr. Yves Roche	09/26/2008	Subscription	€118,491.60	60,000	€5.70	–50% on 09/26/2012 –50% on 09/26/2013
TOTAL						

Table 5: Options to subscribe for or purchase shares exercised during the year by each company officer

Company officer	Number and date of plan	Number of options exercised during the year	Exercise price
Mr. Yves Roche	None	None	None
TOTAL			

Table 6: Performance-related share allocations to each company officer

Performance-related share allocations by the General Meeting of Shareholders made during the year to each company officer by the issuer or any other Group company (nominative list)	Number and date of plan	Number of shares allocated during the year	Valuation of shares under method used for consolidated financial statements	Date of acquisition	Date of availability	Performance conditions
Mr. Yves Roche	None	None	None	None	None	None
TOTAL						

Table 6b: Free share allocations to each company officer

Free share allocations by the General Meeting of Shareholders made during the year to each company officer by the issuer or any other Group company (nominative list)	Number and date of plan	Number of shares allocated during the year	Valuation of shares under method used for consolidated financial statements	Date of acquisition	Date of availability
Mr. Yves Roche	09/26/2008	15,000(1)	€70,849.77	09/26/2010	09/26/2012
TOTAL					

(1) The Board of Directors has decided that Mr. Yves Roche should retain a minimum number of the shares freely allocated to him, set at 1,500, as registered shares until such time as he terminates his position as a company officer.

Table 7: Performance-related shares becoming available during the year to each company officer

Performance-related shares becoming available during the year to each company officer (nominative list)	Number and date of plan	Number of shares becoming available during the year	Acquisition conditions	Year of allocation
Mr. Yves Roche	None	None	None	None
TOTAL				

Table 8: Past allocations of stock options

Information on subscription options

Date of General Meeting	04/26/1995	03/30/2000	03/30/2000	07/28/2006
Date of Board of Directors or Executive Board meeting	04/26/1999	05/03/2000	09/20/2002	09/26/2008
Total number of shares available for subscription, of which the number available to: Mr. Yves Roche	2,000	1,500	4,000	60,000 (1)
Date from which options may be exercised	04/26/2004	05/03/2004	09/20/2006	50% 09/26/2012 50% 09/26/2013
Expiry date	04/25/2009	05/02/2010	09/20/2012	09/25/2018
Subscription price	€5.30	€7.50	€2.21	€5.70
Exercise details (where plan has several phases)	–	–	–	50% 09/26/2012 50% 09/26/2013
Number of shares subscribed for at 12/31/2008	2,000	1,500	4,000	–
Cumulative number of options cancelled or expired	–	–	–	–
Outstanding options to subscribe for shares at year end	–	–	–	60,000

(1) The Board of Directors has set at 10% the number of shares obtained under each exercise of options that Mr. Yves Roche is required to retain as registered shares until the termination of his functions as a company officer.

Table 9:

Options to subscribe for shares allocated to the ten employees other than company officers receiving largest number of options, and options exercised by these individuals	Total number of options granted / number of shares acquired	Weighted average fair value of the options	Plan dated 26/09/2008
Options granted during the year by the issuer and by any other company included in the scope of allocation of options to the ten employees of the issuer and any company included in this scope receiving the largest number of options (aggregate information)	220,000 options granted	€1.68 per option	220,000
Options granted by the issuer and above-mentioned companies during the year by the ten employees of the issuer and above-mentioned companies for whom the number of options so acquired or subscribed for is the highest (aggregate information)	None	None	–

Table 10:

Directors Company Officers	Employment contract		Supplementary pension scheme		Compensation or benefits due, or liable to fall due, on termination or change of function		Compensation relating to non-compete clauses	
	Yes	No	Yes	No	Yes	No	Yes	No
Name: Yves Roche Function: Chairman and Chief Executive Officer Start of term: 04/21/2005 End of term: General Meeting to approve accounts for year to 12/31/2010	X(1)			X	X(2)			X

(1) The Board of Directors has decided to terminate Yves Roche's employment contract, currently suspended, when a system of social security coverage has been introduced for him, bearing in mind the specific rules that apply to a company for which a continuation plan has been adopted.

(2) Details on this compensation are given in section 17 of this report.

18. Share capital, other equity instruments, results and other information for the past five financial years

(euros)	2004	2005	2006	2007	2008
I. SHARE CAPITAL AND OTHER EQUITY INSTRUMENTS AT THE YEAR END					
Issued capital	88,964,224	88,964,224	90,464,703	47,823,964	47,915,964
Number of ordinary shares in issue	23,342,682	23,342,682	23,736,382	23,911,982	23,957,982
Number of preferred shares in issue					
Maximum number of shares that may be issued in the future					
By conversion of bonds					
By exercise of stock options	322,300	770,300	435,300	333,200	791,800
II. OPERATIONS AND RESULTS FOR THE YEAR					
Sales excluding tax	24,755,543	26,360,284	36,878,148	83,296,157	58,603,854
Earnings before tax, employee profit-sharing, depreciation, amortisation and provisions	1,683,470	24,364,820	4,455,463	20,298,869	4,785,636
Income tax	90,000	172,500	(248,610)	(155,714)	(153,114)
Employee profit-sharing in respect of the financial year					
Earnings after tax, employee profit-sharing, depreciation, amortisation and provisions	6,300,267	29,305,974	13,710,771	25,377,093	(22,888,446)
Dividend payout					
III. EARNINGS PER SHARE					
Earnings after tax, employee profit-sharing, but before depreciation, amortisation and provisions	0.07	1.04	0.19	0.86	0.21
Earnings after tax, employee profit-sharing, depreciation, amortisation and provisions	0.27	1.26	0.58	1.06	(0.96)
Net dividend per share					
IV. EMPLOYEES					
Average number of employees during the year	27	25	28	30	36
Total payroll for the year	1,094,874	1,226,565	1,507,835	1,730,192	1,912,275
Amount of benefits paid in the year (social security, social welfare, etc.)	562,721	549,392	657,036	695,416	849,867

Share Buy-back programme

submitted for approval to the annual ordinary and special Shareholders' Meeting of May 12, 2009

The following description has been drafted in compliance with article L. 451-3 of the French Monetary and Financial Code and articles 241-1 and 241-2 of the AMF (Autorité des Marchés Financiers) regulations.

A proposal will be submitted for approval to the Ordinary and Special Shareholders' Meeting of Recylex SA (the "Company") to be held on May 12, 2009, pursuant to articles L. 225-209 *et seq.* of the French Commercial Code, concerning a programme to buy back the Company's own shares, in an amount equivalent of up to 10% of the Company's existing share capital on the date of the Meeting (the "2009 Buy-back programme").

1. Date of the Annual Meeting of Recylex SA to which the 2009 Buy-back programme is submitted for approval

The 2009 Buy-back programme will be submitted for approval to the Company's Annual Shareholders' Meeting to be held on May 12, 2009.

2. Number of equity shares held directly or indirectly by the Company

At December 31, 2008, the Company held 73,939 of its own shares directly, representing 0.3% of its share capital. The Company held no shares indirectly at that date.

3. Reappropriation of shares according to purpose

The Ordinary General Meeting of Shareholders held on September 26, 2005 resolved to reappropriate the 73,939 treasury shares held by the Company for the purpose of allocating them to employees of the Recylex group, particularly via the stock option plan set up for employees and corporate officers.

4. Objectives of the 2009 Share Buy-back programme

The objectives of the 2009 Share Buy-back programme are:

- to ensure the liquidity of Company shares through a provider of investment services by way of a liquidity contract drafted according to the Compliance Charter recognised by the Autorité des Marchés Financiers;
- to establish and honour the obligations with respect to the stock option plans or other plans to allocate shares to employees of the Company or other associated companies of the Recylex group under (i) the corporate profit sharing plan and (ii) any plan involving stock purchases, options or allocation free of charge (including any stock transfer or sale under article L. 332-24 of the French Labour Code) offered to some or all employees or corporate officers, as well as any hedging transactions in connection therewith;
- to reduce the Company's share capital;
- to hold shares in reserve for future exchanges or payment in connection with any corporate acquisitions;
- to establish and honour obligations with respect to debt instruments convertible into ownership interests, particularly turning over shares pursuant to the exercise of any securities giving immediate or future access thereto, as well as any hedging transactions in respect of any of the Company's obligations in connection with such securities.

5. Maximum portion of share capital subject to the 2009 Share Buy-back programme/maximum number of shares to be acquired under the 2009 Share Buy-back programme/maximum amount of funds allotted to the 2009 Share Buy-back programme

The maximum portion of the share capital the Company may buy back in the 2009 Share Buy-back programme shall be 10% of the Company's share capital at the day of the Annual General Meeting held on May 12, 2009. Where shares are repurchased under a liquidity contract to ensure the liquidity of Company stock, the number of shares used to calculate the 10% cap shall be the number of shares repurchased after deduction of the shares resold under the 2009 Share Buy-back programme.

The maximum number of shares to be acquired under the 2009 Share Buy-back programme shall be 2,395,798 shares, based on the number making up the share capital and the number of treasury shares of the Company on December 31, 2008.

The maximum amount of funds allocated to the buy-back programme shall be €5 million.

6. Maximum purchase price

The purchase price shall not be in excess of €10 per share; as concerns any share capital operations, particularly involving capitalisation of reserves and bonus or scrip issues, and/or share splits or consolidation of shares, the price shall be adjusted accordingly.

7. Characteristics of the shares subject to the 2009 Share Buy-back programme

The shares subject to the 2009 Share Buy-back programme shall be ordinary shares.

8. Duration of the 2009 Share Buy-back programme

Pending its approval of the Buy-back programme, the Shareholders' Meeting shall authorise the Board of Directors to buy back the Company's own shares for a period of eighteen months starting from the date of the meeting, i.e., until November 12, 2010.

As of this date, the date on which the Board of Directors shall decide to implement the programme is not set.

9. Other operational details of the 2009 Share Buy-back programme

Such shares may be acquired or transferred, including during a takeover bid for the Company provided the price is paid entirely in cash, in any way, in particular on the market or in a private transaction, by acquisition or transfer of blocks of shares, via derivative transactions on a regulated market or in a private transaction provided that such transactions are carried out according to then applicable rules and regulations, and at such times as the Board of Directors or their delegated representative shall decide.

In accordance with article L. 241-2 of the General Rules of the French Autorité des Marchés Financiers, any material change in any of the information provided herein shall be communicated to the public as soon as reasonably possible, as instructed in article 212–13 of the General Rules of the French Autorité des Marchés Financiers.

10. Review of the last Share Buy-back programme

The Company's most recent Share Buy-back programme was authorised by the Ordinary and Special Shareholders' Meeting on March 30, 2000. The Company acquired 73,939 shares under that programme. The Ordinary Shareholders' Meeting of September 26, 2005 resolved to appropriate shares for the purpose of allotment to employees of the Recylex group, under the stock option plan offered to employees and corporate officers.

The Shareholder's Meeting of July 16, 2007 authorised the Board of Directors to allot, in one or several times as provided under articles L. 225-197-1 to L. 225-197-3 of the French Commercial Code, a maximum total of 73,939 existing treasury shares held by the Company to part of the employees and/or corporate officers of the Company and affiliated companies as defined in article L. 225-197-2 of the French Commercial Code.

The same Shareholders' Meeting also limited the acquisition period – at the end of which free allotment of such shares becomes definitive for beneficiaries – to two years from the date of allotment. The Shareholders' Meeting also set the beneficiaries' minimum holding period for such shares to two years from the date of definitive allotment thereof.

The Shareholders' Meeting of May 6, 2008 amended the above authorisation for the Board of Directors, prolonging the acquisition period for beneficiaries residing in Germany to a minimum of four years, and by eliminating the holding period for those beneficiaries.

On September 26, 2008, the Company's Board of Directors, in accordance with such authorisation, set up a plan to allot 50,000 shares free of charge. Acquisition of such shares will be definitive after two years (on September 26, 2010) for French residents and after four years (on September 26, 2012) for German residents, subject to their being in the Company, or in one of the companies at least 50%-held by the Company, at the date of acquisition except where provided otherwise under the said plan. Shares held by employees who are French residents may not be sold or transferred before the end of the two-year holding period (i.e., before September 26, 2012).

Report of the Board of Directors

to the combined Shareholders' Meeting of May 12, 2009

To the Shareholders,

You have been called to this combined (Ordinary and Special) Shareholders' Meeting to hear your Management's report to you on the business activities of Recylex SA (hereinafter, "the Company") for the financial year ended on December 31, 2008, and to submit to you the annual parent company and consolidated financial statements for that year. You will also be asked to renew the terms of Messrs. Mathias Pfeiffer and Richard Robinson as directors, to appoint a new director, to authorise your Board of Directors to buy and sell shares of Recylex SA and to reduce the Company's share capital by retirement of shares.

You have been given the management report on the Company's activities in financial year 2008, as provided by law.

Regarding the Ordinary Shareholders' Meeting

I. Approval of the parent company and consolidated financial statements – appropriation of net loss for the year ended december 31, 2008 (first, second and third resolutions)

The Board of Directors invites the Ordinary Shareholders' Meeting to approve the parent company and consolidated financial statements as presented, and to appropriate the net loss of 22,888,446.42 euros for the 2008 financial year to losses "carried forward", which will then show a debit of (6,263,011.36) euros.

The Board of Directors also invites the Ordinary Shareholders' Meeting to approve the amount of non-deductible expenses under article 39-4 of the French General Tax Code, at 17,559.00 euros.

II. Renewal of terms as directors for Messrs. Mathias Pfeiffer and Richard Robinson (fourth and fifth resolutions) and appointment of a new Director

The Board of Directors invites the Ordinary Shareholders' Meeting to renew the terms of Messrs. Mathias Pfeiffer and Richard Robinson as directors for a period of three years, until the close of the Shareholders' Meeting convened for approval of the annual financial statements for the year ending December 31, 2011.

In addition to these renewals of terms, the Board of Directors is willing to invite the Ordinary Shareholders' Meeting to appoint a new director whose name is unknown to date, but for which a complementary report shall be issued as soon as available, within the legal deadlines.

III. Approval of regulated agreements referred to in articles L. 225-38 *et seq.* of the French Commercial Code (sixth resolution)

The Board of Directors invites the Ordinary Shareholders' Meeting to acknowledge the special report of the Statutory Auditors on regulated agreements and to approve the agreements mentioned therein.

IV. Authorisation to the Board of Directors to buy or transfer shares of Recylex SA (seventh resolution)

The Board of Directors invites the Ordinary Shareholders' Meeting, in full knowledge of the information in the description of the Share buy-back programme drafted according to the General Rules of the Autorité des Marchés Financiers:

- to authorise the Board of Directors, pursuant to articles L. 225-209 *et seq.* of the French Commercial Code, to purchase shares of the Company under the following terms and conditions, in an amount up to 10% of the share capital existing at the date of this meeting; it is expressly stipulated that where shares are repurchased under a liquidity contract to ensure the liquidity of Recylex SA stock, the number of shares used to calculate the 10% cap shall be the number of shares repurchased after deduction of the shares resold under the 2009 Share buy-back programme:

– the purchase price shall not be in excess of 10 euros per share; as concerns any share capital operations, particularly involving capitalisation of reserves and bonus or scrip issues, and/or share splits or consolidation of shares, the price shall be adjusted accordingly,

– the maximum amount of funds allocated to the buy-back programme shall therefore be 5 million euros,

– such authorisation shall run for a period of eighteen months,

– acquisitions by the Company hereunder shall under no circumstances result in its holding, directly or indirectly at any time, more than 10% of the Company's share capital at the relevant date,

– such shares may be acquired or transferred, including during a takeover bid for the Company provided the price is paid entirely in cash, in any way, in particular on the market or in a private transaction, by acquisition or transfer of blocks of shares, via derivative transactions on a regulated market or in a private transaction provided that such transactions are carried out according to then applicable rules and regulations, and at such times as the Board of Directors or their delegated representative shall decide;

- to decide that such share purchases may be carried out for the furtherance of any purpose permitted by law, the objectives of the buy-back programme being as follows:
  – to establish and honour the obligations with respect to the stock option plans or other plans to allocate shares to employees of the Company or other affiliated companies of the Recylex group under (i) the corporate profit sharing plan and (ii) any plan involving stock purchases, options or allocation free of charge (including any stock transfer or sale under article L. 332-24 of the French Labour Code) offered to some or all employees or corporate officers, as well as any hedging transactions in connection therewith,
  – to reduce the Company's share capital,
  – to ensure the liquidity of Company shares through a provider of investment services by way of a liquidity contract drafted according to the Compliance Charter recognised by the Autorité des Marchés Financiers,
  – to hold shares in reserve for future exchanges or payment in connection with any corporate acquisitions,
  – to establish and honour obligations with respect to debt instruments convertible into ownership interests, particularly turning over shares pursuant to the exercise of any securities giving immediate or future access thereto, as well as any hedging transactions in respect of any of the Company's obligations in connection with such securities.
- to decide to grant all powers to the Board of Directors, who may delegate such powers, to decide and implement the measures authorised hereunder, to define if necessary the terms and conditions of such implementation, to issue stock market orders, enter into any and all agreements, draft informational or other documents, to appropriate or re-appropriate as the case may be the acquired shares to the accomplishment of pursued objectives, carry out all due diligence, formalities and make all declarations and certifications as necessary in connection with any organisation, and generally to take all steps necessary to accomplish the foregoing.

Regarding the Special Shareholders' Meeting

V. Authorisation to the Board of Directors to reduce the share capital by retiring shares (eighth resolution)

The Board of Directors invites the Special Shareholders' Meeting to:

- grant full powers to the Board of Directors to retire, in one or several times and within the limit of 10% of the share capital every twenty-four months, all or part of the Recylex SA shares acquired under the buy-back programmes authorised in the eighth resolution submitted for approval to the present Shareholders' Meeting, or those acquired under a former buy-back programme;
- declare that any amount of the purchase price in excess of the par value of such shares shall be booked to "Share premiums" or to any available reserve account, including legal reserves, within the limit of 10% of the completed capital reduction;
- grant full powers to the Board of Directors, who may delegate such powers as permitted by law, to reduce the Company's share capital subsequent to such retirement of shares and booking of share premiums, and to amend the Articles of Association accordingly; and
- set the duration of this authorisation to eighteen months starting from the date of this Shareholders' Meeting.

VI. Powers (ninth resolution)

The Board of Directors invites the Special Shareholders' Meeting to grant full powers to the bearer of the original, a copy or excerpt hereof for the purpose of accomplishing any legal or administrative formalities, and to ensure all registrations, filings and publications as mandated by laws and regulations in force.

The Board of Directors

Complementary report of the Board of Directors

to the combined Shareholders' Meeting of May 12, 2009

Dear Shareholders,

You have been invited to attend the Combined General Meeting on Tuesday May 12, 2009 in accordance with applicable legal provisions and the Articles of Association.

At its meeting on April 17, 2009, namely after publication of the notice of meeting, the Board of Directors decided to propose an additional resolution to shareholders relating to the appointment of Mr. Jean-Pierre Thomas as a director (the sixth resolution).

Mr. Jean-Pierre Thomas satisfies the criteria defined in the corporate governance code drawn up by AFEP and MEDEF, as an "independent" director.

His appointment will assist Recylex SA in its desire to comply with best practice in the area of corporate governance and to strengthen the Group's development strategy. It was not possible to include this proposal in the notice of meeting because on the date of publication of the notice, the application process for candidates had not yet been completed.

Your attention is drawn to the fact that due to the addition of the draft resolution to the agenda for the meeting, the numbering of the draft resolutions appearing in the notice of meeting no. 0901721 published in the Bulletin des annonces légales et obligatoires on April 6, 2009 (bulletin no. 41) has been amended.

This report has been prepared by the Board of Directors and supplements the Board's report to the Combined General Meeting as regards the additional resolution submitted to the meeting.

Appointment of a new Director (sixth resolution)

The Board of Directors proposes that the General Meeting appoints Mr. Jean-Pierre Thomas, who was born on March 27, 1957 in Gérardmer (Vosges) and is residing at 11, rue d'Argenson, 75008 Paris (business address), as a director for a term of three years expiring at the end of the General Meeting called to approve the financial statements for the financial year ending December 31, 2011.

Mr. Jean-Pierre Thomas has been a partner of the investment bank Lazard since 2000, and is an adviser in the areas of mergers and acquisitions, investment capital and asset management. Mr. Jean-Pierre Thomas was born in 1957 and holds an Engineering degree specialising in finance and management from the Sup-de-Co Business School, as well as a Doctorate (PhD) in Economics from University of Paris-II.

Before joining Lazard in 1998, Mr Jean-Pierre Thomas was a Regional Councillor for Lorraine, Vice-Chairman and then Chairman of the Finance Committee of the Regional Council of Lorraine, MP for the 4th Vosges constituency, Deputy Treasurer of the UDF Group in the National Assembly, Economy and Budget Spokesman for the UDF Group, Chairman of the UDF's Departmental Federation for the Vosges and National Treasurer of the Republican Party. During his political career, Mr Jean-Pierre Thomas was behind the law of March 25, 1997 creating retirement savings plans, known as the "Thomas Law".

Mr. Jean-Pierre Thomas holds office as a director with the Generali group, and is Chairman of the Scientific Committee of the "Cercle des Épargnants" of the Generali group.

Mr. Jean-Pierre Thomas satisfies the independence criteria defined in the corporate governance code drawn up by AFEP and MEDEF, which are referred to in the internal rules and regulations of the Board of Directors.

We trust that the foregoing will meet with your approval and that you will adopt the resolutions submitted to you.

The Board of Directors

Draft resolutions

to be submitted to the combined Shareholders' Meeting of May 12, 2009

Resolutions submitted to the Ordinary Annual Shareholders' Meeting

First resolution

(Approval of the parent company financial statements for the year ended December 31, 2008)

Having heard the Board of Directors' management report, the Statutory Auditors' report, and examined the financial statements for Recylex SA for the financial year ended on December 31, 2008, including the balance sheet, the income statement and notes to the financial statements, the Ordinary Shareholders' Meeting gathered under the required quorum and majority conditions hereby approves the said financial statements as presented, as well as all operations represented therein and mentioned in the said reports. The Shareholders' Meeting acknowledges net loss of 22,888,446.42 euro for the 2008 financial year. As a consequence, it pronounces good discharge for the directors with respect to the fulfilment of their terms and duties for the said financial year.

Second resolution

(Approval of the consolidated financial statements for the year ended December 31, 2008)

Having heard the Board of Directors' report on Group management, as well as the Statutory Auditors' report on the consolidated financial statements, the Ordinary Shareholders' Meeting, acting under the required quorum and majority conditions hereby approves the said consolidated financial statements for the year ended December 31, 2008 as presented, including the consolidated balance sheet, income statement and notes to the financial statements, as well as all operations represented therein and mentioned in such reports.

Third resolution

(Appropriation of net loss for the year ended December 31, 2008, as reflected in the annual financial statements)

Having heard the Board of Directors' report and the Statutory Auditors' report, the Ordinary Shareholders' Meeting, acting under the required quorum and majority conditions, hereby:

- recognises the loss for the year ended December 31, 2008 amounting to 22,888,446.42 euros;
- appropriates the 22,888,446.42 euro loss to "losses carried forward", which will then show a debit of (6,263,011.36) euros.

The Ordinary Shareholders' Meeting approves the amount of non-deductible expenses under article 39-4 of the French General Tax Code, at 17,559.00 euro.

The Ordinary Shareholders' Meeting, as mandated by law, hereby acknowledges that no dividend has been paid out over the past three financial years.

Fourth resolution

(Renewal of term as director for Mr. Mathias Pfeiffer)

The Ordinary Shareholders' Meeting, acting under the required quorum and majority conditions, hereby resolves to renew the term of Mr. Mathias Pfeiffer as director for a period of three years, until the close of the shareholders' meeting convened for approval of the annual financial statements for the year ending December 31, 2011.

Fifth resolution

(Renewal of term as director for Mr. Richard Robinson)

The Ordinary Shareholders' Meeting, acting under the required quorum and majority conditions, hereby resolves to renew the term of Mr. Richard Robinson as director for a period of three years, until the close of the shareholders' meeting convened for approval of the annual financial statements for the year ending December 31, 2011.

Sixth resolution

(Appointment of Mr. Jean-Pierre Thomas as director)

The Ordinary Shareholders' Meeting, acting under the required quorum and majority conditions, having heard the complementary report of the Board of Directors, hereby resolves to appoint of Mr. Jean-Pierre Thomas as director for a term of three years, until the close of the shareholders' meeting convened for approval of the annual financial statements for the year ending December 31, 2011.

Seventh resolution

(Approval of regulated agreements referred to in articles L. 225-38 et seq. of the Commercial Code)

The Ordinary Shareholders' Meeting, acting under the required quorum and majority conditions, having heard the special report of the Statutory Auditors on regulated agreements, as referred to in articles L. 225-38 et seq. of the Commercial Code, hereby acknowledges such report and approves the agreements mentioned therein.

Eighth resolution

(Authorising the Board of Directors to buy or transfer shares of Recylex SA)

The Ordinary Shareholders' Meeting, acting under the required quorum and majority conditions, having heard the report of the Board of Directors, and in full knowledge of the information in the description of the programme drafted according to the General Rules of the Autorité des Marchés Financiers, hereby authorises the Board of Directors, pursuant to articles

L. 225-209 et seq. of the French Commercial Code, to purchase shares of the Company under the following terms and conditions, in an amount up to 10% of the share capital existing at the date of this meeting; it is expressly stipulated that where shares are repurchased under a liquidity contract to ensure the liquidity of Recylex SA stock, the number of shares used to calculate the 10% cap shall be the number of shares repurchased after deduction of the shares resold under the 2009 Share Buy-back Programme:

- the purchase price shall not be in excess of 10 euros per share; as concerns any share capital operations, particularly involving capitalisation of reserves and bonus or scrip issues, and/or share splits or consolidation of shares, the price shall be adjusted accordingly;
- the maximum amount of funds allocated to the buy-back programme shall be 5 million euros;
- such authorisation shall run for a period of eighteen months;
- acquisitions by the Company hereunder shall under no circumstances result in its holding, directly or indirectly at any time, more than 10% of the Company's share capital at the relevant date;
- such shares may be acquired or transferred, including during a takeover bid for the Company provided the price is paid entirely in cash, in any way, in particular on the market or in a private transaction, by acquisition or transfer of blocks of shares, via derivative transactions on a regulated market or in a private transaction provided that such transactions are carried out according to then applicable rules and regulations, and at such times as the Board of Directors or their delegated representative shall decide.

Such share purchases may be carried out for the furtherance of any purpose permitted by law, the objectives of the buy-back programme being as follows:

- to establish and honour the obligations with respect to the stock option plans or other plans to allocate shares to employees of the Company or other affiliated companies of the Recylex Group under (i) the corporate profit sharing plan and (ii) any plan involving stock purchases, options or allocation free of charge (including any stock transfer or sale under article L. 332-24 of the French Labour Code) offered to some or all employees or corporate officers, as well as any hedging transactions in connection therewith;
- to reduce the Company's share capital;
- to ensure the liquidity of Company shares through a provider of investment services by way of a liquidity contract drafted according to the Compliance Charter recognised by the Autorité des Marchés Financiers;
- to hold shares in reserve for future exchanges or payment in connection with any corporate acquisitions;
- to establish and honour obligations with respect to debt instruments convertible into ownership interests, particularly turning over shares pursuant to the exercise of any securities giving immediate or future access thereto, as well as any hedging transactions in respect of any of the Company's obligations in connection with such securities.

The Ordinary Shareholders' Meeting hereby grants all powers to the Board of Directors, who may delegate such powers, to decide and implement the measures authorised hereunder, to define if necessary the terms and conditions of such implementation, to issue stock market orders, enter into any and all agreements, draft informational or other documents, to appropriate or re-appropriate as the case may be the acquired shares to the accomplishment of pursued objectives, carry out all due diligence, formalities and make all declarations and certifications as necessary in connection with any organisation, and generally to take all steps necessary to accomplish the foregoing.

Resolutions submitted to the Special Shareholders' Meeting

Ninth resolution

(Authorising the Board of Directors to reduce the share capital by retiring shares)

After hearing the report of the Board of Directors and the special report of the Statutory Auditors, the Special Shareholders' Meeting, acting under the required quorum and majority conditions and in accordance with article L. 225-209 of the Commercial Code, hereby:

- grants full powers to the Board of Directors to retire, in one or several times and within the limit of 10% of the share capital every twenty-four months, all or part of the Recylex SA shares acquired under the buy-back programmes authorised in the eighth resolution submitted for approval to the present Shareholders' Meeting, or those acquired under a former buy-back programme;
- declares that any amount of the purchase price in excess of the par value of such shares shall be booked to "Share Premiums" or to any available reserve account, including legal reserves, within the limit of 10% of the completed capital reduction;
- grants full powers to the Board of Directors, who may delegate such powers as permitted by law, to reduce the Company's share capital subsequent to such retirement of shares and booking of share premiums, and to amend the Articles of Association accordingly, and;
- sets the duration of this authorisation to eighteen months starting from the date of this Shareholders' Meeting.

Tenth resolution

(Powers)

The Special Shareholders' Meeting hereby grants full powers to the bearer of the original, a copy or excerpt hereof for the purpose of accomplishing any legal or administrative formalities, and to ensure all registrations, filings and publications as mandated by laws and regulations in force.

Statutory Auditors' report

on the proposed share capital decrease through cancellation of shares

Combined Shareholders' Meeting of May 12, 2009 (Resolution no. 9)

This is a free translation of the original French text for information purposes only

To the Shareholders,

In accordance with our appointment as Statutory Auditors of Recyclex, and pursuant to the engagement set forth in article L. 225-209 of the French Commercial Code *(Code de commerce)* concerning capital decreases by cancellation of shares purchased, we hereby report to you on our assessment of the reasons for and terms and conditions of the proposed capital decrease.

We conducted the procedures we deemed necessary pursuant to the professional guidelines set forth by the French Institute of Statutory Auditors *(Compagnie nationale des commissaires aux comptes)* with regard to this engagement. These procedures involved examining whether the reasons for and the terms and conditions of the proposed share capital decrease are appropriate.

This transaction involves the purchase by the Company of its own shares, up to a maximum of 10% of its share capital, pursuant to the terms and conditions set forth in article L. 225-209, of the French Commercial Code. This purchase authorization is subject to the approval of the Combined Shareholders' Meeting (Resolution no. 8) and shall be granted for a period of eighteen months.

Shareholders are requested to confer all necessary powers on the Board of Directors, during a period of eighteen months, to cancel the shares purchased by the Company, pursuant to the share purchase authorization, up to a maximum of 10% of the share capital by twenty-four-month period.

We have no comments on the reasons for or the terms and conditions of the proposed share capital decrease, which, you are reminded, may only be performed subject to the prior approval by the shareholders of the eighth resolution on the purchase by the Company of its own shares.

Paris-La Défense and Neuilly-sur-Seine, April 27, 2009

The Statutory Auditors

KPMG Audit	Deloitte & Associés
A division of KPMG SA	
Catherine PORTA	Albert AÏDAN
Partner	Partner

Special report of the Board of Directors

on transactions made under the provisions of articles L. 225-197-1 to L. 225-197-3 of the French Commercial Code (Free share allocations)

Financial year ended December 31, 2008

Ladies and Gentlemen,

In accordance with the provisions of article L. 225-197-4 of the French Commercial Code we have the honour of reporting to you on transactions carried out under articles L. 225-197-1 to L. 225-197-3 of the Code relating to the free allocation of shares to employees and Directors of Recylex SA (“the Company”).

In accordance with the authorization granted by the general meetings of July 16, 2007 and 6 May 6, 2008, the Board of Directors of the Company implemented, on September 26, 2008, a plan allocating 50,000 free shares in the benefit of employees and corporate officers of the Company or its subsidiaries within the meaning of article L. 225-197-2 of the French Commercial Code.

I. Free allocations of shares to company officers

In the table below we report on the number and value of shares which, during the year and in recognition of the functions and responsibilities exercised within the Company, have been allocated to each company officer by the Company or by those companies related to it under the provisions of article L. 225-197-2 of the French Commercial Code:

Name and function of beneficiary	Number of shares allocated	Valuation of shares under method used for consolidated financial statements	Company involved
Yves Roche Chairman and Chief Executive Officer	15,000	€70,849.77	Recylex SA

We confirm that no free share was allocated over the course of the year to company officers of the Company, in recognition of the functions and responsibilities exercised within the Company, by controlled companies under the definition of article L. 233-16 of the French Commercial Code:

Name and function of beneficiary	Number of shares allocated	Value	Company involved
N/A			

II. Free allocations of shares to employees

In the table below we report on the number and value of shares which during the year have been allocated by the Company or by those companies related to it under the provisions of article L. 225-197-2 of the French Commercial Code to each of the ten employees of the Company, other than company officers, who received the largest number of shares so allocated:

Beneficiary	Number of shares allocated	Valuation of shares under method used for consolidated financial statements	Company involved	Function
I. Schaefer	5,000	€23,616.59	Recylex SA	Group Finance Director
G. Dupre	3,000	€14,169.95	Recylex SA	Site Director
R. Yu	2,000	€9,446.64	Recylex SA	Company Secretary

The Board of Directors

Special report of the Board of Directors

on transactions made under the provisions of articles L. 225-177 to L. 225-186 of the French Commercial Code (Stock options)

Financial year ended December 31, 2008

Ladies and Gentlemen,

In accordance with the provisions of article L. 225-184 of the French Commercial Code we have the honour of reporting to you on transactions carried out under articles L. 225-177 to L. 225-186 of the Code relating to stock options.

On September 26, 2008, the Board of Directors implemented a stock-options plan granting 540,000 stock options in the benefit of corporate officers or employees of the Company or affiliated companies, in accordance with the authorization granted by the general meeting of July 28, 2006.

I. Options granted to company officers

In the table below we record all stock options granted over the past year in recognition of functions and responsibilities conducted within Recylex SA ("the Company") to company officers either by the Company or by companies related to it under the terms of article L. 225-180 of the French Commercial Code:

Name and function of beneficiary	Number of options granted	Purchase or subscription	Price (in euros)	Expiry	Company involved
Yves Roche Chairman and Chief Executive Officer	60,000	Subscription	5.70	50% 09/26/2012 50% 09/26/2013	Recylex SA

We confirm that no stock option was allocated over the course of the year to company officers of the Company, in recognition of the functions and responsibilities exercised within the Company, by controlled companies under the definition of article L. 233-16 of the French Commercial Code.

Name and function of beneficiary	Number of options granted	Purchase or subscription	Price	Expiry	Company involved
N/A					

II. Options exercised by company officers

We confirm that no stock option held on the Company or by companies related to it under the terms of article L. 225-180 of the French Commercial Code, or controlled by it under the definition of article L. 233-16 of the French Commercial Code, was exercised by any officer of the Company during the year in question:

Name and function of beneficiary	Number of options exercised	Purchase or subscription	Price	Expiry	Company involved
N/A					

III. Options granted to and exercised by employees

We set out in the table below, the number, price and expiry dates of stock options granted during the year by the Company or by companies or groupings related to it under the terms of article L. 225-180 of the French Commercial Code, to the ten employees other than company officers receiving the greatest number of options and also report the number and price of shares subscribed for or purchased during the year through the exercise of one or more options held on the companies identified above, by each of the ten employees of the Company, other than company officers, who acquired or subscribed for the greatest number of shares.

1. Options granted

Beneficiary	Number of options granted	Purchase or subscription	Unit price (in euros)	Expiry	Company involved	Function
I. Schaefer	30,000	Subscription	5.70	50% 09/26/2012 50% 09/26/2013	Recylex SA	Group Finance Director
R. Yu	10,000	Subscription	5.70	50% 09/26/2012 50% 09/26/2013	Recylex SA	Company Secretary
J.-F. Huchard	10,000	Subscription	5.70	50% 09/26/2012 50% 09/26/2013	Recylex SA	Site Director
B. Planckaert	10,000	Subscription	5.70	50% 09/26/2012 50% 09/26/2013	Recylex SA	Sales Director
K. Panicali	5,000	Subscription	5.70	50% 09/26/2012 50% 09/26/2013	Recylex SA	Group Management Controller
J.-M. Degardin	5,000	Subscription	5.70	50% 09/26/2012 50% 09/26/2013	Recylex SA	Site Manager
A. Lherbier	5,000	Subscription	5.70	50% 09/26/2012 50% 09/26/2013	Recylex SA	Quality Manager

2. Options exercised

Beneficiary	Number of options exercised	Purchase or subscription	Price	Exercise date	Company involved	Function
N/A						

The Board of Directors

Report of the Chairman

of the Board of Directors for the 2008 financial year, pursuant to article L. 225-37 of the French Commercial Code

Ladies and Gentlemen,

Pursuant to the provisions of article L. 225-37, paragraph 6 of the French Commercial Code, I hereby report to you on:

- recommendations relating to the AFEP-MEDEF Corporate Governance Code;
- the conditions under which the work of the Board of Directors of Recylex SA (the "Company") was prepared and organised in the year ended December 31, 2008;
- the principles and rules decided by the Board of Directors to determine the remuneration and benefits in kind awarded to corporate officers;
- the restrictions placed on the powers of the Company's Chief Executive Officer;
- specific conditions relating to shareholders' participation in the Shareholders' Meeting;
- the internal control and risk management procedures implemented by the Company as well as the procedures relating to the preparation of accounting and financial information.

The information stipulated at article L. 225-100-3 is contained in Section 16 of the management report to which this report is attached.

Except where specified otherwise, the term "Group" means the Company and its subsidiaries within the meaning of article L. 223-1 of the French Commercial Code in the context of this report.

This report was reviewed and approved by the Board of Directors at its meeting on 19 March 2009 and may be consulted on the Company's website[1] in accordance with article L. 225-37 of the French Commercial Code.

The Company's auditors have issued a special report setting out their observations on this report concerning internal control procedures relating to the preparation and processing of accounting and financial information.

1. Recommendations of the AFEP-MEDEF corporate governance code

The Company wishes to have best practice in corporate governance as its benchmark. At its meeting on 13 November 2008, the Board of Directors decided that the Company should refer to the AFEP-MEDEF Corporate Governance Code of October 2003, supplemented by the recommendations of October 2008 relating to the remuneration of senior executives who are corporate officers (the "Code"). The consolidated version of the Code can be consulted on the Company's website.

(1) www.recylex.fr – Shareholders/Investors – Regulated information – 2008 Annual Financial Report

The Remuneration and Nomination Committee prepared a report on the Company's corporate governance situation in the light of the Code's provisions and presented it to the Board. On the basis of that report, the Board identified the recommendations from which the Company departs, inter alia on account of the specific nature of its business and its current structure arising from the recent events it has faced, which lead to the adoption of a continuation plan on November 24, 2005.

Recommendation for publication of the company's credit ratings by credit rating agencies of Directors (point 2.2 of the Code)

Under the specific arrangements for companies for which a continuation plan has been adopted, the Company is not given credit ratings by credit rating agencies.

Recommendation that the Audit Committee should review financial statements at least two days before they are reviewed by the Board (point 14.2 of the Code)

The Audit Committee meets to review the Company's financial statements either the day before the Board meeting called to approve them or the morning of the same day.

As the relevant documents are provided to Audit Committee and Board members beforehand for detailed scrutiny, the Company considers that this arrangement gives the Audit Committee enough time (i) to review the financial statements and ensure that the accounting methods used to prepare the consolidated and company financial statements are relevant and consistent, and (ii) to verify that the internal procedures for gathering and controlling information guarantee those methods.

Recommendation for directors to be shareholders in their own right and to hold a relatively significant number of shares over and above the requirements of the company's by-laws (point 17 of the Code)

While the Company has decided to make reference to this principle for executive directors, it considers that holding a substantial number of shares in the Company is not likely to enhance the commitment and involvement of non-executive directors in performing their duties.

Recommendation that the award of shares to corporate officers should be conditional on performance (point 20.2.3 of the Code)

Based on the conclusions of the Remuneration and Nomination Committee, the Board of Directors considers that setting quantitative performance criteria is particularly difficult in the Company's particular sector of activity, given the absence of relevant benchmarks (most of the Company's competitors are not listed companies) and the number of parameters to be taken into consideration, with the attendant risk of defining criteria affected by parameters over which the Company has no control, such as metal prices, and which consequently do not provide a relevant basis for measuring the performance of the Company or its corporate officers. This recommendation is not applicable to the free share allocation plan implemented by the Company on September 26, 2008.

Recommendation that the Board of Directors and specialised committees should include a significant proportion of members meeting the criteria for independence defined by the Code (points 8.2, 14.1 and 16.1 of the Code)

The Shareholders' Meeting on May 12, 2009 will be asked to approve the appointment of an additional director meeting the criteria for independence defined by the Code. However, the recommended proportion of half the members of the Board will not be achieved as a result of the appointment and is hardly achievable considering the Company's current size and structure arising from the recent events it has faced, which lead to the adoption of a continuation plan on November 24, 2005.

For the same reasons, the Company has additional efforts to make in order to comply with the following recommendations:

Formalize the evaluation process for the Board of Directors and specialized committees (point 9 of the Code);

Monitoring of internal audits (point 13 of the Code);

Implementation of procedures for selecting new directors and formalize planning the succession of corporate officers (point 15.2 of the Code);

Consider a variable portion of directors' fees linked to directors' attendance at Board meetings (point 18.1 of the Code);

Termination of the employment contract in the event of appointment as a corporate officer (point 19 of the Code):

In this regard, the Board of Directors has decided to terminate Yves Roche's employment contract, currently suspended, when a system of social security coverage has been introduced for him, bearing in mind the specific rules that apply to a company for which a continuation plan has been adopted.

2. Preparation and organisation of the Board's work

2.1 Organisation and operation of the Board

The Company is a French *société anonyme* (joint-stock corporation) with a Board of Directors whose organisation and operation are determined in the Company's articles of association and defined in Internal Rules and Regulations that can be consulted on the Company's website. The most recent amendments to the Internal Rules and Regulations, introduced on March 19, 2009, are designed to improve the Board's governance procedures, formalise certain existing practices and take account of regulatory changes.

The main changes are as follows:

"(...)

Composition – Principles

1.1 Composition

The Board of Directors is made up of a certain number of independent directors, the proportion of independent directors being determined and reviewed each year by the Board of Directors, on recommendations from the Remuneration and Nomination Committee

An assessment of the independence quality of each member of the Board of Directors is reviewed each year by the Board of Directors, on recommendations from the Remuneration and Nomination Committee, according to the following criteria, which may be amended by the Board:

- *not to be an employee or corporate officer of the Company or an employee or director of its parent or of one of its consolidated subsidiaries and has not been one during the previous five years;*
- *not to be a corporate officer of a company in which the Company holds, either directly or indirectly, a directorship, or in which a directorship is held by an employee of the Company designated as such or by a current or former (going back five years) corporate officer of the Company;*
- *not to be (or directly or indirectly, bound to) a customer, supplier, business banker, financing banker:*

– of significant standing, of the Company, or of its Group,

– or for whom the Company or its Group represents a significant share of the activity;

- *not to be related by close family ties to a corporate officer;*
- *not to have been an auditor of the Company over the last five years;*
- *not to have been a director of the Company over the last twelve years.*

1.2 Principles applicable to the members of the Board of Directors

- *Before agreeing to his/her/its functions, the director must make sure that he/she/it is aware of the general or special obligations, with respect to which he/she is responsible. In particular, he/she/it must read the legal or regulatory texts, the Company's articles of association, these rules & regulations and any additions thereto by each Board meeting.*

• Each director must hold the minimum number of shares as provided in the articles of association of the Company. An executive director must, beyond the sole requirements of the articles of association, possess a relatively large number of shares: should he/she not hold same upon taking up his/her/its functions, he/she/it shall use his/her/its director's fees for the purchase thereof;

• Although being a shareholder himself/herself/itself, the director shall represent all the shareholders, and must, in all circumstances, act in the interests of the Company;

• The director shall be obliged to notify the Board of any situation of a conflict of interests, even potential in nature, and shall abstain from taking part in voting as regards that conflict of interests;

• The director shall give the necessary time and attention for his/her/its functions. Should he/she/it exercise executive functions, he/she/it shall not, in principle, agree to exercise more than four other directorships in listed companies outside of its group, including companies abroad;

• The director must be diligent and take part in all the Board meetings or, should this happen, in all meetings of the committees, to which he/she/it belongs;

• The director undertakes to inform himself/herself/itself. For this purpose, he/she/it shall ask the Chairman, in good time, for the information essential for his/her/its required intervention concerning the topics on the agenda of the Board meeting;

• As regards information not in the public domain and acquired within the scope of his/her functions, the director must consider himself/herself/itself bound by actual professional secrecy, exceeding the simple obligation of discretion stipulated by legal texts;

• Lastly, the director must :

– not perform operations in the shares of companies, including the derivatives concerning which (and inasmuch as) he/she/it holds, by virtue of his/her/its functions, information not yet in the public domain,

– declare any transactions performed in the shares of the Company, in application of the legal and regulatory texts. In this respect, since the Company is legally required to communicate to the Autorité des Marchés Financiers any operations in the shares of the Company performed by the directors and its relatives, each director undertakes to inform the secretary of the Board within two days of the performance of such operation;

• Finally, except in exceptional circumstances, the directors must attend the General Meetings of shareholders.

• Information to be given to the directors

The Chairman shall make sure that the documents, technical files and information relating to the agenda, are communicated to the directors before the meeting, such as:

• the draft minutes of the previous meeting of the Board of Directors;

• the draft resolutions to be placed before the next meeting of the Board of Directors;

• the information documents enabling the vote at the time of presentation of the decisions placed before the Board of Directors;

• the internal management documents allowing the financial evolution and the technical functioning of the Company, and of the Group, to be monitored.

Furthermore, the Chairman shall keep the directors regularly informed of any event that may have an effect on the financial / cash-flow situation of the Company, as also of the commitments of the Company.

The Board of Directors may seek the assistance of any outside advisors at the time of the meetings (lawyers, consultants…), if the aforesaid seems necessary.

On request by any directors, the Chairman shall organise any complementary training session concerning the specificities of the company, its business, and its sectors of activity.

• Committees of the Board

The Board of Directors shall set in place specialised committees, the make-up and functioning of which shall be defined by the Board and the objective of which is to carry out preparatory work concerning certain resolutions of the Board of Directors by providing their opinions, recommendations or suggestions on the following points:

• examination of the accounts;

• follow-through of the internal audit;

• selection of the auditors;

• policy on remunerations and stock-options;

• appointments of directors and authorised representatives of the company.

The creation of specialised Committees must, however, not remove the competences of the Board, or lead to a dismemberment of its decisional panel, which shall remain collectively responsible for the performance of its tasks.

The Chairman of each Committee report to the Board of Directors on its work, advice, suggestions and recommendations, a description of the Committees activities being included in the Annual Report.

• Assessment of the Board

The Board shall assess its ability to answer the expectations of the shareholders, where it shall annually review its composition, organisation and functioning, with the objectives of:

• reviewing the Board's processes;

• verifying that important questions are properly prepared and discussed;

• and measuring the effective contribution of each director in the work of the Board, as regards his/her/its competence and his/her/its involvement in deliberations.

Each year, the agenda of the last meeting of the Board of Directors shall include a point relating to an assessment of the make-up, organisation and functioning of the Board of Directors and of the Committees, on the basis of any recommendations of the Committee of remunerations and appointments, where, furthermore, a formalised assessment shall be carried out at least every three years. The Board of Directors inform the shareholders on the performance of such assessment in the Annual Report.

Once per year, the non-executive directors (not managing directors or employees of the Company) shall meet periodically, not in the presence of the executive directors, in order to appraise, if applicable, the performance of the Chairman-Managing Director, or of the Chairman and of the Managing Director, in case of splitting of said functions.

(…)"

2.1.1 Composition of the Board

The Board of Directors comprises four directors. The terms of office of two of them will end on conclusion of the Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2008. Those of the other two will end on conclusion of the Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2010.

Under the Company's articles of association, directors are elected for a three-year term and must own at least 20 shares.

The composition of the Board at December 31, 2008 was as follows:

Name	Position	First appointment/ Most recent renewal	Term expires
Mr. Yves Roche	Chairman and Chief Executive Officer	04/21/2005 – 05/06/2008	Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2010
Mr. Aristotelis Mistakidis	Director	09/20/2002 – 05/06/2008	Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2010
Mr. Richard Robinson	Director	04/08/2003 – 07/28/2006	Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2008
Mr. Mathias Pfeiffer	Director	07/28/2006	Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2008

According to the Code, "a director is independent when he or she has no relationship of any kind whatsoever with the corporation, its Group or the management of either that is such as to colour his or her judgment".

On the basis of proposals from the Remuneration and Nomination Committee, the Board of Directors applied the following criteria for qualification as an independent director defined in the Code and mentioned in the Internal Rules and Regulations of the Company (section 1).

Following the review, the Board deemed Mr. Yves Roche, an executive director of the Company, and Mr. Aristotelis Mistakidis, representing the Company's reference shareholder, not to be independent directors. At its meeting on March 19, 2009, the Board deemed that Messrs. Richard Robinson and Mathias Pfeiffer cannot qualify as independent directors on account of services rendered to the Company or its subsidiaries outside the exercise of their directorship.

As the terms of office of Messrs. Richard Robinson and Mathias Pfeiffer expire immediately after the Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2008, the Shareholders' Meeting will be asked to approve renewal of their directorships.

Mr. Richard Robinson was appointed as director of Recylex SA on 8 April 2003. He is also a director of Crew Gold Corporation and Chairman of Metalor Technologies International SA. He has over 30 years' experience in the metals and mining industry and has held directorships and senior executive positions in a number of companies operating in the gold, base metals, coal, platinum mining and smelting industries.

Mr. Richard Robinson was an executive director of Gold Fields of South Africa Ltd before becoming CEO of Gold Fields Limited and in 1998 CEO of LaSource SAS (France). As former Chairman of Tsumeb Corporation and The Zinc Corporation of South Africa, he acquired specific experience of lead and zinc smelting and refining. He was the South Africa business sector coordinator and representative on the United Nations Lead and Zinc Study Group and a board member of the International Lead and Zinc Research Organisation.

Mr. Richard Robinson was born in South Africa in 1953 and holds British and South African citizenship. He has an MSc in Mineral Economics from Queens University (Canada) and owns 20 Recylex shares.

Mr. Mathias Pfeiffer was appointed as director of Recylex SA on July 27, 2006 and is also Chairman of Hoesel & Siemer KgaA.

Mr. Mathias Pfeiffer spent his entire career with Deutsche Bank AG, working in various countries. He held the position of Managing Director with regional responsibilities before retiring in 2006.

Mr. Mathias Pfeiffer was born in Germany in 1945 and owns 20 Recylex shares.

The Board decided, on a proposal from the Remuneration and Nomination Committee, to invite the Shareholders' Meeting to approve the appointment of an additional director meeting the independence criteria defined by the Code with a view to strengthening the Group's development strategy.

It should be emphasised that a designation as independent director does not imply a value judgment. Independent directors are not by their personal qualities supposed to be different from the other directors in a way that would make them more disposed to act in the interests of the shareholders. Each director is informed of the essential responsibilities entrusted to him and remains sensitive to the interest of all shareholders in the Board's discussions and decisions.

2.1.2 Operation of the Board

The dates of Board meetings are set in advance and recalled from one meeting to the next. The Board meets as often as the Company's interest requires and at least every four months.

Directors are given at least five working days' notice of meetings except when the Chairman considers that the urgency of holding a meeting requires a shorter notice period.

Directors are provided before the meeting with documents, technical files and information relating to items on the agenda, such as:

- the draft minutes of the previous Board meeting;
- draft resolutions to be put to the forthcoming Board meeting;
- documents that will enable the directors to make informed decisions;
- internal management documents that enable the directors to monitor the financial situation and technical operations of the Company and the Group.

The Board may if necessary call on external advisors (lawyers, consultants, etc.) at meetings.

Directors may attend Board meetings either in person or by videoconference or telecommunications means, except for meetings relating to the preparation of company and consolidated financial statements and the company and group management report, for which persons attending by such means are not included in the quorum. Directors may be represented by another Board member.

As a rule, Board meetings open with approval of the minutes of the previous meeting.

Items are then dealt with by the directors in the order in which they appear on the agenda and where an item leads to a resolution it is discussed before put to the vote.

When the discussions have ended and there is no other business, the Chairman closes the meeting and reminds the Directors of the date of the next meeting.

The staff representative is called to all Board meetings. The auditors are called to Board meetings that examine and close the accounts.

The Board met eight times in 2008:

- February 1, with an attendance rate of 100%;
- March 18, with an attendance rate of 75%;
- May 6, with an attendance rate of 75%;
- August 29, with an attendance rate of 100%, one director attending by conference call;
- September 26, with an attendance rate of 100%;
- November 13, with an attendance rate of 100%;
- December 2, with an attendance rate of 100%.

Matters considered at the meetings included budgets and planned investments by the Company and its subsidiaries, the parent company and consolidated financial statements for the year ended December 31, 2007 and the condensed interim financial statements at June 30, 2008, the introduction of a plan to award bonus shares and a plan to award stock options to Group corporate officers and employees.

2.2 Specialised Committees

2.2.1 The Remuneration and Nomination Committee

Remit and operation

A Remuneration and Nomination Committee, previously known as the Personnel Committee, was established by a decision of the Board on July 2, 2003. At its meeting on October 22, 2007, the Board drew up terms of reference setting out the Committee's remit and operating procedures. Its role is to examine the following matters in particular and make recommendations to the Board: (i) the policy for deciding the remuneration of the Company's corporate officers, the Chief Financial Officer and the senior executives of subsidiaries, (ii) the introduction of plans to award shares or stock options, (iii) the procedure for appointing directors, (iv) the procedure for evaluating the Board, (v) plans for the succession of the Group's corporate officers and key employees.

Composition

Mr. Richard Robinson	Chairman
Mr. Mathias Pfeiffer	Member
Mr. Aristotelis Mistakidis	Member

Work in 2008

The Remuneration and Nomination Committee met twice in 2008, once as the primary focus of a Board meeting, with an attendance rate of 100%. It considered the following matters and made proposals to the Board: (i) determination of the Chief Executive Officer's remuneration, (ii) a contingency arrangement for compensation for the Chief Executive Officer if relinquishing his position under a change of control, (iii) the annual bonus awards to the Chief Executive Officer and his senior executives (iv) introduction of a plan to award bonus shares and a plan to award stock options to the Chief Executive Officer and employees of the Company and its subsidiaries.

2.2.2 The Audit Committee

Remit and operation

An Audit Committee was created in 2007. The terms of reference drawn up by the Board define the remit and operating procedures of the Committee, whose main tasks are: (i) to review and supervise financial reporting and audit procedures and provide the Board with a critical and independent assessment of them, (ii) to ensure compliance with internal control and risk management procedures.

Composition

Mr. Mathias Pfeiffer	Chairman
Mr. Richard Robinson	Member

Work in 2008

The Audit Committee met twice in 2008, with an attendance rate of 100%. It reviewed the financial statements for the year ended December 31, 2007, the condensed interim financial statements at June 30, 2008 and the procedure for preparing them, reviewed and assessed the applicable accounting policies and considered the preliminary report on the risk mapping project regarding the Group launched in 2008.

3. Principles and rules for determining the remuneration of corporate officers

The Shareholders' Meeting on July 28, 2006 set the annual amount of directors' fees at €110,000 for that year and subsequent years until the Shareholders' Meeting decides otherwise.

At its meeting on December 12, 2006, the Board decided to allocate the directors' fees as follows :

• the Chairman of the Board to receive €30,000 per year;

• the other Board members each to receive €20,000 per year.

The total amount of directors' fees paid in 2008 was €90,000, the Chairman receiving €30,000 and the other Board members €20,000 each.

The Remuneration and Nomination Committee proposed that the Board should set the variable portion of Mr. Yves Roche's remuneration each year with regard to the development, during the year under consideration, of qualitative multi-year objectives determined by the Remuneration and Nomination Committee and updated each year. Such proposal has been approved by a Board resolution of March 18, 2008.

At its meeting on March 18, 2008 the Board, on a proposal from the Remuneration and Nomination Committee, decided to award Mr. Yves Roche compensation payable if he were to relinquish his position as Chief Executive Officer following a significant change in the ownership of Recylex SA supported by the Board, provided that he had facilitated the change and the transition with the new core shareholder. The compensation would be equivalent to double the total gross remuneration he received as a corporate officer in the financial year before he stepped down and would not be paid until the Board had ensured that he had complied with the conditions of performance.

The remuneration of corporate officers is described in detail in Section 17 of the Board's management report, to which this report is attached.

4. Restrictions on the powers of the Chairman and Chief Executive Officer

At its meeting on May 6, 2008, the Board decided to renew Mr. Yves Roche's appointment as Chairman and Chief Executive Officer.

At its meeting on March 19, 2009, the Board deemed that in view of the Company's size and current structure there was no good reason to separate the functions of Chairman of the Board and Chief Executive Officer and that such a separation was not likely to improve the management of the Company or the operation of the Board, whose collegial discussion of all matters continued to be important for the Group.

Under the Board's Internal Rules and Regulations, amended on 19 March 2009, a prior decision of the Board is required for the following transactions :

• Undertakings with respect to sureties, endorsements or guarantees in an amount of more than €500,000 and constitution of any security;

• Total or partial disposal of investments held by the Company;

• Acquisition or sale of assets, including buildings or land, in an amount of more than €500,000 per project;

• Investment expenses of the Company, or considered by its subsidiaries, which depart from established procedures, or which are of specific strategic importance in the financial or technical sense;

• Contributions to pension plans or to insurance policies, that do not originate from legal regulations, from a collective labour agreement, from an agreement of place of business, and which affects more than one half of the staff of said place of business;

• Borrowings, loans, credits, down payments, subsidies in excess of €500,000 and debts write-off irrespective of the amount thereof concerning such operations;

• Renting or leasing not in the budget, the rental/lease charge of which exceeds €500,000 per year, and/or is for a term greater than three years;

• Signature of any contract, agreement, undertaking, the value of which exceeds €500,000, or the term of which is more than three years, and signature of any research, study, service contract that exceeds the normal run of business;

• Definition of medium- or long-term strategy for the Group, approval of annual budgets and corrections thereto during the year;

• Decisions concerning the strategy of the Group or the changes to organisational structures of the Company, or decisions having major consequences on one or more activity sectors of the Group;

• Decisions concerning any significant operation outside of the Group's announced strategy and which may significantly affect or change the financial structure or results of the Group;

• Decisions to engage in new activities within the scope of the Company's corporate object, or to stop existing activities;

• Choice of the managers, directors of subsidiaries or companies, in which a stake is held;

• Legal proceedings taken by the Company that may have a substantial impact on the image or the results of the Group;

• Out-of-court agreements or settlements, waiver of rights of recourse, when the amounts involved exceed €100,000;

• Publication of information of significant importance destined for the public.

5. Specific conditions relating to shareholders' participation in the shareholders' meeting

The specific conditions relating to shareholders' participation in the Shareholders' Meeting are as follows (article 25 of the Company articles of association):

• Shareholders' Meetings comprise all shareholders whose shares are duly paid-up and whose right to take part in shareholders' meetings has been evidenced by registration of the shares in the shareholder's name or, if the shareholder is not domiciled in France, in the name of the intermediary registered on his behalf at midnight (Paris time) on the third working day before the day of the meeting;

- the shares must be registered within the time limit stipulated in the preceding paragraph either in the registered securities accounts kept by the Company or in bearer securities accounts kept by the authorised intermediary;
- access to the shareholders' meeting is open to its members and to registered proxies and intermediaries providing proof of their status and identity. The Board of Directors may if it wishes issue shareholders with personal admission cards in their name and ask for such cards to be produced;
- any shareholder may empower his or her spouse or another shareholder to represent him or her at a shareholders' meeting;
- shareholders may vote by correspondence after proving their shareholder status in accordance with the first paragraph of this article. The company must receive the voting form at the latest three days before the date of the shareholders' meeting;
- shareholders not domiciled in France may be represented by a registered intermediary under the conditions laid down by law.

6. Internal control and risk management procedures

In drawing up this report, the Company has relied on the guide for implementing the internal control reference framework for small and mid caps issued by the Autorité des Marchés Financiers.

The Company's internal control and risk management procedures comprise a set of resources, manners of conduct, procedures and actions adapted to the Company's characteristics and specific situation, designed to:

- contribute to the control of its activities, the effectiveness of its operations and the efficient use of its resources;
- enable it to take appropriate account of material risks that could prevent it from achieving the objectives it has set itself.

More specifically, these procedures are designed to ensure, for the Company and its subsidiaries:

- compliance with the laws and regulations;
- implementation of the instructions and guidelines issued by senior management;
- the smooth working of internal processes, in particular those designed to safeguard the Company's assets;
- the reliability of financial information.

As the AMF internal control reference framework emphasises, a company's internal control system cannot provide an absolute guarantee that its objectives will be achieved. Any internal control system has inherent limitations that may result from many internal and external factors.

6.1 The internal control environment in 2008

Since the reorganisation carried out in recent years, the organisational principles of the Company and its subsidiaries have been based on extensive decentralisation of responsibility both for the control of operations, especially those involved in the preparation of accounting and financial information, and risk management, under close supervision by the Company's senior management. This organisation enables Group companies to respond more quickly to the different opportunities and constraints associated with their businesses.

Control procedures are also implemented through a number of support functions provided by Group companies:

- the Company supports legal affairs, external communication, management control and the consolidation of accounting and financial information;
- Recylex Commercial SAS supports commercial negotiations;
- Recylex GmbH in Germany provides legal and financial support (local cash pooling and the control of accounting and financial information) for German companies.

Central support functions mean that management guidelines and objectives can be communicated in standardised form. All support services are governed by service agreements negotiated between Group companies.

Control of the operations of the Company's subsidiaries is strengthened by Company representation on subsidiaries' boards of directors. As a result, certain risks associated with the Group's business are clearly identified and understood.

6.2 Risk assessment

The streamlining of the Company's structure in recent years has entailed a reorganisation of its internal control and risk management systems.

In this context, in 2008 the Company commissioned an outside consultancy to draw up a risk map designed to :

- identify the main risks to which the Company and the Group are exposed;
- give an overview of these risks based on a common language;
- rank the risks on the basis of an analysis of their importance and the extent to which they are controlled;
- determine action plans and measures to better control risks and improve the current risk management process.

The project was carried out in several stages:

- identification of the main risks by the Group's key line managers, through a questionnaire designed to classify risks according to their importance and the extent to which they are controlled at present;
- individual interviews to list the main causes of identified risks and current or proposed remedial measures;
- risk summary;

• validation and ranking of identified risks during workshops within branches of activity and at Group management level;
• presentation of the risk map to key line managers and the Audit Committee.

On the basis of the risk map and the Audit Committee's recommendations, the Board will make a point of framing and implementing action plans and other appropriate measures in the relevant risk areas.

In 2008, the Company also commissioned an outside consultancy to conduct a health, safety and environment (HSE) audit of all the Group's industrial facilities with the aim of analysing the environmental and health risks specific to the Group's business and laying the foundations for improved procedures to manage these risks.

The main risks and uncertainties to which the Group is exposed and the procedures for managing them are described below on the basis inter alia of the information gathered in the course of the above-mentioned evaluations.

6.3 Main risks and uncertainties to which the Group is exposed and procedures for managing them

6.3.1 Financial risks

In this section, the term "Group" means the Company and its consolidated subsidiaries within the meaning of article L. 233-16 of the French Commercial Code.

Specialising in zinc, lead and plastic recycling and production of special metals, the Group is exposed to currency and interest-rate risk and the risk of fluctuations in commodity prices. It is also exposed to other risks, like counterpart and liquidity risk.

The Group has framed a policy and introduced a handbook of procedures designed to measure, manage and control exposure to market risks. The policy prohibits taking speculative positions on the market and involves using derivatives to cover some of the Group's exposure to currency and commodity risk. The procedures are already in place for the Group's main companies and will be extended to its smaller entities.

Financial instruments are taken out on the over-the-counter market with a highly rated counterpart. The Group primarily uses futures and options.

The derivatives cover existing or expected financial and commercial exposure. Positions in financial instruments are tracked on a fair-value basis.

Currency and commodity risk is managed locally by the Group companies concerned under the oversight of the Group's finance department.

Commodity risk

The Group is exposed to the risk of fluctuations in metal prices, especially for lead and zinc, over which it has no influence. The prices for the two metals are quoted in US dollars on the London Metal Exchange. This exposure results from the additional metals recovered from materials processed, as well as from sales prices not matching the purchasing prices for scrap; the recycled metals are sold based on the quoted market prices but the scrap input materials (used batteries) are bought at prices which are not directly linked to the quoted market prices.

The Group partially protects itself against the risk of metal prices fluctuations (lead and zinc) using derivatives (futures and options).

Hedging of lead and zinc risks was arranged in 2008.

Currency risk

The Group is exposed to currency risk arising from transactions between its subsidiaries in currencies other than their operating currency. Some procurement contracts in particular are denominated in dollars. The Group's practice is not to hedge this currency risk.

At December 31, 2008, the Group no longer had any dollar-denominated commodity derivatives to hedge euro-denominated sales. All commodity derivatives are taken out in euros.

Interest-rate risk

Most of the Group's long-term debt is with Recylex SA, the holding company, Recylex GmbH, Weser Metall GmbH and RMO GmbH. Given the Group's situation, its debt chiefly comprises rescheduled liabilities under Recylex SA's continuation plan and four loans contracted by Recylex GmbH, Weser Metall GmbH, C2P GmbH and RMO GmbH. The loans contracted by Recylex GmbH and C2P GmbH are at fixed rates, those contracted by Weser Metall GmbH and RMO GmbH are at floating rates.

The debt resulting from the continuation plan does not bear interest. The Group uses interest-rate derivatives to cover the interest-rate risk on the two floating-rate loans.

Counterpart risk

The Group would be exposed to credit risk if a counterpart failed. The Group's credit risk policy varies from one sector to another.

Credit risk linked to trade receivables

On the basis of available information, the Group does not expect any third-party failure liable to have a material impact on its financial statements. However, in view of the current particularly and exceptionally difficult and uncertain economic and financial context, the failure of Group customers cannot be entirely ruled out.

In the lead segment, the Group maintains commercial relations with a limited number of customers proven to be financially sound, to which the payment terms granted are very short. However, for the reasons given above relating to the current exceptional economic and financial situation, the Group cannot entirely rule out the risk arising from the potential failure of its customers.

In the other segments, especially zinc, where the customer base is highly fragmented, the Group uses specific insurance policies to hedge up to 17% of counterpart risk. Outstanding customer balances are constantly monitored, which helps to curb the Group's exposure to payment defaults.

Credit risk linked to cash and cash equivalents and derivatives

Currency and commodity hedges and treasury investments are made with prime financial institutions. However, in view of the current exceptionally difficult and uncertain financial context in the banking sector, the failure of financial institutions cannot be entirely ruled out.

Liquidity risk

Recylex SA's debt was rescheduled after the Paris Tribunal de Commerce accepted the continuation plan on November 24, 2005 (see note 18 in the Notes to the consolidated financial statements).

The Company has made the first three repayments to its creditors under the continuation plan, amounting to €11.4 million in 2006, €11 million in 2007 and €2.3 million in 2008.

The Company has prepared monthly cash forecasts for 2009 on the basis of available information, in particular outlays relating to outstanding instalments due to creditors in 2009.

The Group's subsidiaries have also prepared cash flow projections for 2009.

In view of the economic downturn, reflected in a fall in metal prices, the Group has drawn up a conservative cash flow forecast which shows a reduction in cash flow and no short-term financing requirement. This is due amongst other things to the Group's substantial cash position at December 31, 2008 and outstanding instalments to be paid off under the continuation plan over the period to 2015, amounting on average to €2.7 million per year.

Available cash amounted to €77.4 million at December 31, 2008. This level of cash is compatible with the Group's debt instalments and repayments to creditors under the continuation plan.

6.3.2 Risks and procedures associated with the preparation of accounting and financial information

In this section, the term "Group" means the Company and its consolidated subsidiaries within the meaning of article L. 233-16 of the French Commercial Code.

To ensure reliability and accuracy, an integrated software application is used to manage accounting and financial information for all Group companies with the exception of FFM SA. The application is also useful for comparing and integrating costs between subsidiaries. In terms of information flows, it ensures the use of common accounting formats and the uniform accounting treatment of transactions.

The system also allows all movements of goods in all user companies to be managed in real time.

Each Group company accomplishes accounting tasks within this uniform information system, either using its own accounting staff or, in some cases, sharing the services of an independent accountant. The parent company financial statements for 2008 were prepared by the Company's accounting and finance manager under the supervision of the Group's Chief Financial Officer.

Each Group company produces monthly financial and technical reports, submitted to the Company's senior management. The managers of each Group company are responsible for the reliability of their accounting and financial data. The data are consolidated by the Group Management Controller, who ensures the consistency of the data and can request any further information or clarification he deems necessary from the Group subsidiaries or establishments concerned. This reporting process thus allows the Company's senior management to track the Group's activity and the achievement of assigned objectives on a monthly basis.

Monthly meetings are held between the Company's senior executives and the managers of subsidiaries to review operational, commercial, financial, environmental and health and safety developments in each branch of activity. The meetings provide an opportunity for framing action plans and monitoring their implementation.

The process for closing the consolidated financial statements is identical to that of the monthly reporting process, since it is decentralised under the responsibility of each Group company. This task has been outsourced since 2006, though sectoral analysis continues to be performed in-house at the Company's headquarters.

Once the financial statements have been prepared, they are audited by the two Company's auditors as part of their statutory obligations and reviewed by the Audit Committee. The Board of Directors subsequently approves the parent company and consolidated financial statements, which are then submitted to the Shareholders' Meeting.

The Group's Finance Department is responsible for overseeing all these steps and the system for preparing financial and accounting information.

6.3.3 Environmental and health and safety risks

In the context of its sustainable development approach, the Company pays particular attention to the impact of its activities on the environment and the health and safety of Group employees and local residents, and to strict compliance with the laws and regulations that define operating standards and good working practices.

All Group sites whose recycling activities are liable to have an impact on the environment require prefectoral authorisation, compliance with which is an absolute priority. The Group is also responsible for rehabilitating a number of industrial and mining sites with their origins in the history of the two companies which founded the Group in 1988 (the Germany company Preussag AG, now TUI, and the French company Peñarroya), most of which were never operated by the Group. Since 2003, the Company's CEO has been directly involved with the rehabilitation of former mining and industrial sites in France, which is managed by an environmental expert.

Detailed information about the environmental risks to which the Company and the Group are exposed and about the measures taken to address them is provided in Section 15 of the management report to which this report is attached.

6.3.4 Legal risks

The Company's principal legal risks are related to the legal proceedings brought in 2006 by former employees of Metaleurop Nord SAS and the liquidators of Metaleurop Nord SAS.

1) Proceedings brought by former employees of Metaleurop Nord SAS:

- on June 27, 2008, the Industry section of the Lens labour tribunal considered that the Company was co-employer of 493 former non-managerial staff of Metaleurop Nord SAS and awarded each plaintiff damages of €30,000 plus €300 in costs, representing a total of €14.9 million. It also decided that these amounts should be incorporated into the liabilities of the Company's continuation plan, paid off in instalments. The Company has appealed these decisions, thus suspending execution. The next hearing before the Douai Appeal Court is due to take place on June 26, 2009;

- on September 30, 2008, the Management section of the Lens labour tribunal could not reach a decision on the claim from 91 former managerial staff of Metaleurop Nord SAS for damages of €30,000 plus €300 in costs, representing a total of €2.8 million. The case shall be heard again on May 20, 2009 by the Management section of the Lens labour tribunal under the presidency of a judge from Lens District Court.

A provision for the total amount claimed by the former employees of Metaleurop Nord SAS, representing approximately €17.7 million (before discounting), has been constituted in the financial statements of Recylex SA.

2) The liquidators of Metaleurop Nord SAS brought proceedings against the Company for repayment of the liabilities of Metaleurop Nord SAS amounting to €50 million. On February 27, 2007, the commercial division of Béthune Regional Court dismissed the claim, finding that the Company was not the de facto manager of Metaleurop Nord SAS. The liquidators appealed the judgment. 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'État for the following reasons.

   The Company had argued that the action for repayment of liabilities 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 the court-supervised procedure to rehabilitate the Company begun on November 13, 2003. The liquidators had asserted the existence of a provision in the regulations dispensing them from doing so. Pursuant to the judgment of Douai Appeal Court, on February 12, 2009 the Company applied to the Conseil d'État for a preliminary ruling on legality. The preliminary ruling from the Conseil d'État is awaited before the Douai Appeal Court can rule on either the admissibility or the merits of the case.

The principal legal risks are monitored in France by the Company's senior management and in Germany by the management of Recylex GmbH, in conjunction with the Company's advisors and those of its subsidiaries. Given the small number of headquarters staff, management relies heavily on outside advisors to ensure compliance with the regulatory requirements applicable to the Company's operations and the protection and defence of the Group's interests.

The Company's Board of Directors is regularly presented with progress reports on important cases, principally with respect to litigation.

6.3.5 Operating risks

Group entities operating lead smelters and other production sites are exposed to the risk of production stoppages due to incidents like power cuts or shortages of essential materials. Each Group subsidiary has taken measures to forestall such risks, such as preventive maintenance, the constitution of stocks of essential items and other operating procedures.

The Group also has a limited number of raw materials suppliers, which could represent a risk of failure or loss of supply. The use of replacement sources of supply can be envisaged, albeit with a potential impact on processing costs. In view of the current exceptionally difficult and uncertain economic context, a failure of the Group's suppliers cannot be entirely ruled out.

6.4 Insurance covering certain possible risks

As part of the Group's risk management procedures, the Company and its subsidiaries have taken out insurance cover against accidental risks.

Damage, operating loss and liability insurance has been taken out with prime insurers by the Company for French subsidiaries, by Recylex GmbH for German subsidiaries and by FMM SA for the Belgian subsidiary.

While the Company considers that the insurance taken out at Group level is sufficient to provide satisfactory cover for risks incurred in connection with its activities, it could prove insufficient to offset certain losses resulting from exceptional damage or exceptional economic and financial circumstances, which would have a negative impact on its financial situation.

7. Conclusion

While taking account of changes in the Group's operating environment, senior management wishes to continue to develop the Group's internal control and risk management systems.

The process for assessing and improving internal control and risk management procedures initiated by senior management in 2008 will be continued in the context of a strengthening of the evaluation and oversight of the Group's internal control and risk management, favoured by ongoing changes in the legal and regulatory framework.

A regular diagnosis of the quality and effectiveness of existing control processes will be conducted, by raising awareness and accountability among all Group staff for internal control and risk management issues.

Yves Roche

Chairman and Chief Executive Officer

Statutory Auditors' report

in accordance with article L.225-235 of the French Commercial Code on the report prepared by the Chairman of the Board of Directors of the company Recylex

Year ended December 31, 2008

This is a free translation into English of the Statutory Auditors' report issued in French prepared in accordance with article L.225-235 of French company law on the report prepared by the Chairman of the Board of Directors on the internal control procedures relating to the preparation and processing of accounting and financial information issued in French and is provided solely for the convenience of English speaking users.
This report should be read in conjunction and construed in accordance with French law and the relevant professional standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of Recylex and in accordance with article L. 225-235 of French Company law (Code de Commerce), we hereby report on the report prepared by the Chairman of your company in accordance with article L. 225-37 of French Company law (Code de Commerce) for the year ended December 31, 2008.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the company and containing the other disclosures required by article L. 225-37 of French Company law (Code de Commerce), particularly in terms of corporate governance.

It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control procedures relating to the preparation and processing of the accounting and financial information, and;
- to attest that this report contains the other disclosures required by article L. 225-37 of French Company law (Code de Commerce), it being specified that we are not responsible for verifying the fairness of these disclosures. .

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control procedures relating to the preparation and processing of the accounting and financial information. These procedures consisted mainly in:

- obtaining an understanding of the internal control procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and the existing documentation;
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the company's internal control procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Board in accordance with article L. 225-37 of French Company law (Code de Commerce).

Other disclosures

We hereby attest that the report of the Chairman of the Board of Directors includes the other disclosures required by article L. 225-37 of French Company law (Code de Commerce).

Paris-La Défense and Neuilly-sur-Seine, March 19, 2009

The Statutory Auditors

KPMG Audit
Division of KPMG SA

Catherine PORTA
Partner

Deloitte & Associés

Albert AÏDAN
Partner

Consolidated financial statements

Consolidated financial statements
Consolidated balance sheet

financial year ended December 31, 2008

ASSETS (In thousands of euros)	Notes	12/31/2008	12/31/2007
Non-current assets			
Property, plant and equipment	3 and 5	75,401	77,384
Intangible assets	4 and 5	2,118	1,957
Financial assets	6	799	1,043
Derivatives	37	187	308
Other non-current assets	7	2,953	–
Deferred tax assets	29	16,665	16,878
Sub-total		**98,122**	**97,571**
Current assets			
Inventories	8	44,207	78,677
Trade receivables	9	24,616	53,961
Current income tax assets		3,057	394
Other current assets	10	8,655	7,732
Derivatives	37	2,158	5,120
Cash and cash equivalents	11	77,450	79,162
		160,143	**225,046**
Non-current assets held for sale	12	–	–
Sub-total		**160,143**	**225,046**
TOTAL ASSETS		**258,266**	**322,617**

LIABILITIES (In thousands of euros)	Notes	12/31/2008	12/31/2007
Equity and liabilities			
Issued capital	13	47,916	47,824
Share premiums	13	783	409
Reserves attributable to equity holders of the parent	13	94,033	26,269
Hedging reserves	13	1,624	3,781
Net income attributable to equity holders of the parent	13	(49,723)	67,719
Translation adjustments	13	1,452	1,456
Share premiums and reserves attributable to equity holders of the parent		96,084	147,458
Minority interests		–	–
TOTAL EQUITY		**96,084**	**147,458**
Non-current liabilities			
Interest-bearing borrowings	14	11,077	12,963
Provisions	15	39,270	22,987
Pension liabilities	16	28,353	29,816
Other non-current liabilities	19	14,252	14,853
Deferred tax liabilities	29	2,515	8,154
Sub-total		**95,467**	**88,773**
Current liabilities			
Interest-bearing borrowings	14	4,477	8,874
Provisions	15	14,586	13,378
Pension liabilities	16	2,253	1,173
Trade payables	17	16,451	24,200
Income tax payable		7,964	11,259
Derivatives	37	–	44
Other current liabilities	18	20,983	27,458
Sub-total		**66,715**	**86,386**
Liabilities associated with non-current assets held for sale	12	–	–
TOTAL LIABILITIES		**162,182**	**175,159**
TOTAL EQUITY AND LIABILITIES		**258,266**	**322,617**

Consolidated income statement

Financial year ended December 31, 2008

(In thousands of euros)	Notes	12/31/2008	12/31/2007
Sales of goods and services		367,058	509,582
Total sales	**20**	**367,058**	**509,582**
Purchases used		(268,623)	(332,239)
Staff costs	22	(42,629)	(41,569)
External costs	21	(55,503)	(51,845)
Taxes other than on income		(2,773)	(2,691)
Depreciation, amortisation and impairment losses	24	(13,520)	(19,556)
Goodwill impairment losses			(117)
Changes in work-in-progress and finished goods		(13,595)	22,271
Other operating income and expense	25	1,716	1,496
Operating income before non-recurring items		**(27,868)**	**85,332**
Other non-recurring operating income and expense	26	(22,594)	(955)
Operating income		**(50,462)**	**84,377**
Interest income from cash and cash equivalents		2,637	1,732
Gross interest expense		(934)	(777)
Net interest expense	**27**	**1,702**	**957**
Other financial income/(expense)	**28**	**(4,063)**	**(3,287)**
Income tax expense	29	3,099	(14,328)
Share in income from equity affiliates		–	–
NET INCOME BEFORE MINORITY INTERESTS		**(49,723)**	**67,719**
Minority interests			
Net income attributable to equity holders of the parent		(49,723)	67,719
Earnings per share:		In euros	In euros
– basic	30	(2.08)	2.84
– diluted	30	(2.08)	2.79

Statement of changes in consolidated equity

Financial year ended December 31, 2008

(In thousands of euros, except per share data)	Number of shares	Share capital	Share premiums	Hedging reserves	Consolidated reserves	Total equity, attributable to eq. holders of parent	Total equity
EQUITY AT JANUARY 1, 2007	**23,736,382**	**90,465**	**6,300**		**(21,848)**	**74,917**	**74,917**
Change in hedging reserves(1)				3,781		3,781	3,781
Income and expenses directly taken to equity				3,781		3,781	3,781
Net income for the year					67,719	67,719	67,719
Total income and expenses recognised for the period				**3,781**	**67,719**	**71,500**	**71,500**
Issue of shares/reduction in capital	175,600	(42,641)	(5,891)		49,573	1,041	1,041
EQUITY AT DECEMBER 31, 2007	**23,911,982**	**47,824**	**409**	**3,781**	**95,444**	**147,458**	**147,458**
Share-based payment				0	42	42	42
Change in hedging reserves(1)				(2,157)		(2,157)	(2,157)
Income and expenses directly taken to equity				(2,157)	42	(2,115)	(2,115)
Net income for the year					(49,723)	(49,723)	(49,723)
Total income and expenses recognised for the period				**(2,157)**	**(49,681)**	**(51,838)**	**(51,838)**
Issue of shares/reduction in capital(2)	46,000	92	374			466	466
EQUITY AT DECEMBER 31, 2008	**23,957,982**	**47,916**	**783**	**1,624**	**45,762**	**96,084**	**96,084**

(1) Other changes reflect hedging reserves (note 37) net of deferred tax liabilities.

(2) Changes in the share capital are detailed in note 13.

Consolidated statement of cash flow

Financial year ended December 31, 2008

(In thousands of euros)	12/31/2008	12/31/2007
Net income of consolidated companies	(49,723)	67,719
Non-cash income and expenses	30,279	18,977
– Depreciation – property, plant and equipment	10,578	9,907
– Amortisation – intangible assets	226	153
– Additions to/releases from impairment loss provisions on intangible assets and property, plant and equipment	5,405	
– Changes in provisions	17,049	(3,373)
– Elimination of stock option impacts	42	
– Non-cash eliminations	1,260	
– Gains and losses on disposals of non-current assets	521	(1,080)
– Elimination of interest expense	(1,702)	(957)
– Income tax expense	(3,099)	14,328
Cash flow before net interest and tax expense	**(19,445)**	**86,697**
Change in the working capital requirement	40,764	(35,921)
– Inventories	34,470	(27,479)
– Trade receivables	25,180	(19,186)
– Trade payables	(7,834)	7
– Other current and non-current asset and liabilities	(11,052)	10,737
Income tax expense	(7,393)	(8,501)
Change in deferred tax assets and liabilities	–	(84)
CASH FLOW FROM INVESTMENT ACTIVITIES	**13,926**	**42,191**
Changes in the scope of consolidation		1,000
Purchases of property, plant and equipment, and intangible assets	(15,025)	(16,361)
Disposals of property, plant and equipment, and intangible assets	35	702
Changes in financial assets	245	(406)
CASH FLOW FROM INVESTMENT ACTIVITIES	**(14,745)**	**(15,065)**
Increases in borrowings	176	12,789
Repayment of borrowings	(3,369)	(14,660)
Interest income/(expense) on financial assets	1,835	972
Other movements in the share capital	465	1,041
CASH FLOW FROM FINANCING ACTIVITIES	**(893)**	**142**
Changes in cash and cash equivalents	**(1,712)**	**27,268**
Cash and cash equivalents at beginning of period	79,162	51,894
Cash and cash equivalents at close of period	77,450	79,162
CHANGES IN CASH AND CASH EQUIVALENTS	**(1,712)**	**27,268**

Notes to the consolidated financial statements

Financial year ended December 31, 2008

Note 1. Presentation of the business and significant events

1.1 Details of the Company

On March 19, 2009, the Board of Directors approved and authorised publication of Recylex SA's consolidated financial statements for the year ended December 31, 2008. These consolidated financial statements are subject to the approval of shareholders in the May 12, 2009 AGM.

Recylex SA is a *société anonyme* (joint-stock corporation) registered in France and listed on the Paris Stock Exchange (ISIN code: FR0000120388).

1.2 Business description

Recylex operates mainly in France, Germany and Belgium, and has some ten production facilities.

It specialises in recycling lead and plastic (from automobile and industrial batteries), recycling zinc from particles from electric steel plants, and producing zinc oxides and special metals for the electronics industry.

1.3 Significant events in the 2008 financial year

2008 saw a global economic crisis that led to a fall in consumption and thus a collapse in the prices of all commodities, and most notably the prices of lead and zinc. In euro terms, these two metals saw their average prices fall by 25% and 47% respectively compared to 2007. The scale and duration of this crisis beyond December 31, 2008 are difficult to forecast. Recylex expects market conditions to deteriorate in 2009.

Norzinco SA

Norzinco SA, a subsidiary of the Recylex group located in Anzin, began the process of discontinuing its zinc recycling business in October 2008. The management team at Norzinco SA spent several months seeking a possible buyer for this business, but failed to identify an attractive solution. Significant investment was devoted to relaunching and maintaining production facilities, but the technology used at Anzin proved to be too outmoded to allow it to become profitable in a declining European market for zinc oxides. Sharp fluctuations in the international market price for zinc generated substantial additional costs for Norzinco SA's business, which had been structurally loss-making since 1995, with the exception of 2006, when zinc prices hit record levels. Norzinco SA's management team was keen to support all employees at the company and in particular cooperated with government bodies to offer them professional transition contracts *(contrat de transition professionnelle or CTP)*, for the purpose of supporting a process of professional transition, including support, training and/or trial periods working in other companies. The discontinuation process is being pursued with the support of a reduced workforce, concentrated in particular on the mitigation of any environmental impact caused by its business activities prior to final discontinuation, working in close cooperation with environmental protection bodies. Environmental audits carried out in 2002 and 2007 and a programme of testing in December 2008 revealed no pollution since Recylex took an indirect share in Anzin operations in 2002.

The share of the results of Norzinco SA for the financial year 2008 is a loss of €(8,877) thousand including the liquidation value of all assets and liabilities. The share of the results for the financial year 2007 was a loss of €(1,156) thousand.

Harz-Metall GmbH

In December 2008, Harz-Metall GmbH, a subsidiary of Recylex GmbH, announced the temporary suspension of Waëlz oxide production produced from the recycling of zinc-enriched steel mill dust. This measure was the result of general market trends, which saw a reduction of production by steel makers and partial or full production stoppages at major zinc refining clients, leading to a fall in the volume of material to be recycled and a contraction in demand for Waëlz oxides.

Algeria

During 2008, Recylex announced its first step towards international development beyond the borders of its current countries of activity (France, Germany and Belgium), through the creation in Algeria of an automotive battery recycling centre in partnership with a complementary French metals recycling company and an expert in the Algerian recycling and procurement market. This centre will be operated by Eco-Recyclage, an Algerian company in which Recylex holds a 33.33% stake.

Construction of the plant at Aïn Ouassara (200km south of Algiers) has fallen behind the original schedule due to unexpected developments during construction, relating to the configuration of the site and the administrative procedures in force.

The plant will meet the requirements of ISO 14001 and initial trials of battery processing are planned for the end of the first quarter of 2009.

On-going litigation

The legal claims lodged against Recylex SA by former employees of Metaleurop Nord SAS on the one hand and by the liquidators of Metaleurop Nord SAS on the other hand are still on-going.

Former employees of Metaleurop Nord SAS:

- on June 27, 2008, the Industry section of the Lens labour tribunal considered that the Company was co-employer of 493 former non-managerial staff of Metaleurop Nord SAS and awarded each plaintiff damages of €30,000 plus €300 in costs. It also decided that these amounts should be incorporated into the liabilities of the Company's continuation plan, paid off in instalments. The Company has appealed these decisions, thus suspending execution. The next hearing before the Douai Appeal Court is due to take place on June 26, 2009;
- on September 30, 2008, the Management section of the Lens labour tribunal could not reach a decision on the claims from 91 former managerial staff of Metaleurop Nord SAS for damages of €30,000 plus €300 in costs, representing a total of €2.8 million. The cases shall be heard again on May 20, 2009 by the Management section of the Lens labour tribunal under the presidency of a judge from Lens District Court.

A provision for the total amount claimed by the former employees of Metaleurop Nord SAS, representing approximately €15.5 million at current value, has been constituted in the accounts (note 15).

Liquidators of Metaleurop Nord SAS:

The liquidators of Metaleurop Nord SAS brought proceedings against the Company for repayment of the liabilities of Metaleurop Nord SAS amounting to €50 million. On February 27, 2007, the commercial division of Béthune Regional Court dismissed the claim, considering that the Company was not the de facto manager of Metaleurop Nord SAS. The liquidators appealed the judgment. 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'État for the following reasons.

The Company had argued that the action for repayment of liabilities 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 the court-supervised procedure to rehabilitate the Company begun on November 13, 2003. The liquidators had asserted the existence of a provision in the regulations dispensing them from doing so. Pursuant to the judgment of Douai Appeal Court, on February 12, 2009 the Company applied to the Conseil d'État for a preliminary ruling on legality. The preliminary ruling from the Conseil d'État is awaited before the Douai Appeal Court can rule on either the admissibility or the merits of the case.

No provision has been made in consolidated accounts or the accounts of Recylex SA against the claim by the liquidators of Metaleurop SAS, given the ruling in favour of Recylex SA of the Béthune Regional Court.

It should be noted that the sums claimed in these cases were not included in the continuation plan approved by the Paris Tribunal de Commerce on November 24, 2005 and that if these claims result in an unfavourable outcome for Recylex SA, the implementation of the continuation plan could be jeopardised.

Recylex's continuation plan

The Group continues to give the highest priority to meeting the commitments made by Recylex SA under its continuation plan, with objectives of equal importance being the maintenance of its 672 employment positions, assumption of its environmental responsibilities and the repayment of outstanding frozen liabilities of some €18.5 million (€25 million before elimination of intra-group debts) on a seven-year schedule. To this end, the third annual payment under the plan, for a sum of approximately €2 million, was made in November 2008.

The fourth annual payment, due in November 2009, will be around €2 million.

Note 2. Significant accounting methods

2.1 Use of estimates

2008 saw a global economic crisis that led to a fall in consumption and thus a collapse in the prices of all commodities, and most notably the prices of lead and zinc. The average lead price was 25% lower than in 2007 and the average zinc price was 47% lower. The extent and duration of the crisis beyond December 31, 2008 are hard to gauge. Recylex expects market conditions to deteriorate in 2009.

The preparation of financial statements under IFRSs requires management to make estimates and assumptions. These estimates and assumptions may affect the amounts shown in respect of assets and liabilities, contingent liabilities at the preparation date of the financial statements, and the amounts shown in respect of income and expense during the financial year.

These estimates are based on the going concern principle and prepared using the information available when they were produced. They are continuously assessed based on past experience, as well as various other factors deemed to be reasonable that represent the basis for the assessments of the carrying amount of assets and liabilities. Estimates may be revised if the circumstances on which they were based change or upon receipt of additional information. Actual results may differ significantly from those estimates depending on various assumptions or conditions.

Given the current high market volatility and the difficulty in gauging the economic outlook, accounting projections used in preparing the 2008 consolidated financial statements were based on management's best possible estimates regarding the foreseeable future. They were assessed on the basis of assumptions taking into account a recession of limited duration.

The principal estimates made by management notably relate to depreciation and amortisation, losses for impairment in the value of intangible assets and property, plant and equipment and additions to provisions for the remediation of mining sites, post-retirement benefit obligations, deferred taxes and derivatives.

Disclosures concerning contingent assets and liabilities at the preparation date of the consolidated financial statements are also based on estimates. The estimates used are described in the corresponding notes to the financial statements.

2.2 Basis of preparation

The consolidated financial statements have been prepared in euro, and all amounts have been rounded off to the nearest thousand euros, unless stated otherwise.

Compliance with accounting standards

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 (IFRSs) as adopted in the European Union at the preparation date of these financial statements.

International accounting standards include the IFRSs, IASs (International Accounting Standards) and their interpretations (Standing Interpretations Committee) and IFRICs (International Financial Reporting Interpretations Committee).

The Group has not used the options allowed by amendments to IAS 39 "Financial Instruments: recognition and measurement" and IFRS 7 "Financial Instruments: Disclosures" published by the IASB on October 13, 2008 and applicable from July 1, 2008. These allow the reclassification of certain financial instruments measured at fair value through profit or loss or available for sale.

Conversely, the new standards, amendments to existing standards and the following interpretations have been published, but were not applicable to 2008 and have not been adopted early by the Group:

- IAS 1 R – Presentation of Financial Statements, applicable to financial years starting on or after January 1, 2009. This standard was adopted by the European Union on December 17, 2008;
- IFRS 2 Amendment – Vesting Conditions and Cancellations, applicable to financial years starting on or after January 1, 2009. This standard was adopted by the European Union on December 16, 2008;
- IAS 32 Amendments* – Financial Instruments Redeemable at the Option of the Holder, applicable to financial years starting on or after January 1, 2009;
- IAS 23 R, Borrowing Costs – applicable to financial years starting on or after January 1, 2009. This standard was adopted by the European Union on December 10, 2008;
- IFRS 3 R* and IAS 27* revised – Business Combinations, applicable to financial years starting on or after January 1, 2009;
- IFRIC 15* – Agreements for the Construction of Real Estate, applicable to financial years starting on or after January 1, 2009;
- IFRIC 17* – Distributions of Non-cash Assets to Owners, applicable for the financial years starting on or after July 1, 2009;
- IFRIC 13 – Customer Loyalty Programmes, applicable to financial years starting on or after January 1, 2009. This standard was adopted by the European Union on December 16, 2008;
- IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, applicable to financial years starting on or after January 1, 2009. This standard was adopted by the European Union on December 16, 2008.

The following standards are applicable as of January 1, 2008 but did not have any material impact on the financial statements:

- IFRIC 11 – Group and Treasury Share Transactions, applicable to financial years starting on or after March 1, 2007;
- IFRIC 12* – Service Concessions, applicable to financial years starting on or after January 1, 2008;
- IFRIC 16* – Hedges of a Net Investment in a Foreign Operation, applicable to financial years starting on or after October 1, 2008. Earlier application is permitted.

Among the new standards and interpretations adopted by the European Union, which will not become mandatory until 2009 or later, only IFRS 8 was applied early in the period ended December 31, 2008.

- IFRS 8 – Operating segments: this standard requires the publication of segment reporting corresponding with the indicators that management monitors internally to assess group performance. Business segments that meet the criteria of the new standard are the same as those previously defined according to IAS 14 – Segment reporting. The relevant information is provided in note 20, with adjusted comparative data.

Comparability of financial statements

The accounting principles and valuation rules applied in the financial year ended December 31, 2008 under IFRSs are identical to those applied in the financial year ended December 31, 2007. A change of the presentation method was operated by the early application of IFRS 8 in the period ended December 31, 2008.

Going concern

The annual financial statements have been prepared based on the going concern principle, since the continuation plan presented to the Paris Commercial Court was accepted on November 24, 2005.

2.3 Scope and methods of consolidation

Basis of consolidation

The consolidated financial statements include the financial statements of Recylex, all the companies exclusively controlled, directly or indirectly, by the Group, companies jointly controlled by the Group and those over which the Group exerts significant influence at December 31 each year.

Consolidation methods

Subsidiaries' financial statements are prepared for the same reference period as those for the parent company using consistent accounting methods.

* Standards not yet endorsed by the European Union.

All inter-company transactions and balances, as well as income, expense and unrealised gains and losses arising from internal transactions included in the carrying amount of assets, are eliminated in full.

Companies over which the Group exercises exclusive control directly or indirectly are fully consolidated.

Investments in joint ventures are proportionally consolidated, which entails the Group's share in the joint venture's assets, liabilities, income and expenses being consolidated line-by-line under the relevant headings of the consolidated financial statements.

Investments in associates are accounted for under the equity method. An associate is a company over which the Group has significant influence and which is neither a subsidiary nor a joint venture.

2.4 Summary of significant accounting methods

Balance sheet

Pursuant to IAS 1, the Group has opted for a balance sheet format with a distinction between current and non-current assets and liabilities.

The distinction between current and non-current items is based on the following rules:

- assets and liabilities comprising components of the working capital requirement in the normal business cycle are classified as current;
- assets and liabilities that are not part of the normal business cycle are shown either under current or non-current assets and liabilities depending on whether they have a maturity of more than or less than one year.

Foreign currency translation

The consolidated financial statements have been prepared in euro, the Group's functional currency, since all the consolidated companies operate in euro-zone countries.

Translation of foreign currency transactions

Transactions denominated in currencies other than the euro are recorded at the exchange rate ruling at the transaction date. At the balance sheet date, foreign currency assets and liabilities are translated at the closing rate, and unrealised currency gains and losses are taken to income.

Property, plant and equipment

Property, plant and equipment is stated at cost, excluding recurring maintenance expenses, less accumulated depreciation and impairment losses. Cost includes purchase and production cost, as well as any costs directly attributable to bringing the asset into service in its location for normal operation.

Depreciation is calculated under the straight-line method over the following estimated useful lives:

Buildings	20 to 50 years
Plant, equipment and tools	5 to 30 years
Other property, plant and equipment	5 to 15 years

The carrying amount of property, plant and equipment is tested for impairment when there is an indication that the assets may be impaired.

Property, plant and equipment is derecognised upon its retirement or when no future economic benefits are expected to flow from its use or its disposal. Any gains or losses resulting from derecognition of an asset (difference between the net proceeds upon disposal and carrying amount of the asset) are recognised in income when the asset is derecognised.

The residual value, useful life and depreciation schedule of assets are reviewed and adjusted, if necessary, at each balance sheet date. Any such changes are treated as changes in estimates in accordance with IAS 8.

Depreciation of property, plant and equipment is recognised under depreciation and amortisation on the income statement.

Borrowing costs

Borrowing costs are expensed as incurred.

Subsidies

Subsidies are recognised as a reduction in the gross value of the relevant item of property, plant and equipment and are written back to income as it is depreciated.

Goodwill

Goodwill arising on a business combination is initially stated at cost and represents the excess of the Group's interest in identifiable net assets acquired, and liabilities and contingent liabilities assumed over the cost of the business combination. After its initial recognition, goodwill is stated at cost less any impairment losses. Goodwill must undergo impairment testing each year or more frequently whenever events or changing circumstances indicate impairment.

Intangible assets

Intangible assets are stated at their purchase cost.

Where they have a defined useful life, intangible assets are amortised over the useful life anticipated by the Group. This useful life is determined by the Group on a case-by-case basis based on the nature of the items included in each category.

Where they have an indefinite useful life, intangible assets are not amortised, but systematically undergo annual impairment testing (see note on Impairment of assets).

A summary of the estimated useful lives generally applied to the Group's intangible assets is shown below:

Software	Straight-line amortisation over periods of 3 to 10 years
Patents, etc.	Straight-line amortisation over periods of 10 to 20 years

Impairment of assets

Impairment testing of intangible assets and goodwill

Goodwill and intangible assets with an indefinite useful life are tested for impairment in accordance with IAS 36 Impairment of Assets at least once each year or more frequently where there is evidence of impairment. Other non-current assets are also tested for impairment whenever events or changing circumstances indicate that they may be impaired.

When tests indicate that the recoverable amount of an asset (or group of assets) has fallen below its net carrying amount, an impairment loss is recognised in income, with a balancing entry leading to a reduction first in the carrying amount of goodwill.

A previously recognised impairment loss is reversed where there is a change in the estimates used to determine the recoverable amount of the asset. In this case, the carrying amount of the asset is increased to its recoverable amount. However, impairment losses recognised for goodwill may not be reversed. Impairment losses, and conversely reversals of impairment losses, are recognised in income. Accumulated amortisation may be adjusted so that the revised carrying amount of the asset is spread over the remainder of its useful life.

Impairment testing of property, plant and equipment

Property, plant and equipment is tested for impairment whenever there is evidence of impairment.

Since most of the Group's property, plant and equipment does not generate cash flows largely independent of the cash flows generated by other assets or groups of assets, the Group estimates the recoverable amount of the cash-generating unit that operates it, where there is evidence of impairment.

An impairment loss is recognised in respect of a cash-generating unit (CGU) if and only if the recoverable amount of the CGU has fallen below its carrying amount.

CGUs are defined in accordance with IAS 36. Management has defined operational CGUs based on the Group's legal entities, taking into account both activities of Harz-Metall GmbH (zinc and lead). Cash flow projections were drawn up for a five-year period, with a terminal value, to which a growth rate of 1.5% was applied. Terminal value is computed using the Gordon-Shapiro method. The discount rate is calculated using the Weighted Average Cost of Capital (WACC) method.

Impairment testing consists in comparing the net carrying amount of the asset to its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Value in use is obtained by adding together the discounted value of the cash flows anticipated from the asset (or group of assets) and its ultimate disposal. Fair value less costs to sell reflect the amount that could be obtained from selling the asset (or group of assets) on normal market terms less any costs directly attributable to the disposal.

Financial assets

Non-current financial assets consist of investments in unconsolidated subsidiaries, loans and receivables due from investments, as well as advances and guarantee deposits granted to third parties.

In accordance with IAS 39, investments in controlled, unlisted companies that are not consolidated are treated as available-for-sale securities and stated at fair value. Any gains and losses are recorded as a separate component of equity. Where there is objective evidence of impairment in a financial asset (notably a significant and lasting diminution in value), an impairment loss that may not be reversed is recognised in income. Changes in fair value recognised in equity are recycled in income when the relevant assets are derecognised or sold.

Where there is no active market, the Group employs commonly used measurement methods. When fair value may not be estimated reliably using generally accepted methods, the securities are stated at acquisition cost, less accumulated impairment.

Advances and guarantee deposits are non-derivative financial assets with pre-determined or determinable payments that are not listed on an active market. Such assets are recognised at amortised cost using the effective interest rate method. Any gains or losses are recognised in income when the loans or receivables are derecognised or impaired.

Acquisitions and disposals of financial assets are generally recognised on the transaction date.

Inventories

Inventories and work in progress are stated at the lower of cost and net realisable value.

Cost is determined using the weighted average unit cost method. This includes raw materials and direct labour costs, as well as a portion of indirect production costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Trade receivables

Trade receivables, which generally have maturity of between zero and sixty days, are recognised at the initial invoice amount less any write-downs for uncollectible amounts and then stated subsequently at amortised cost. A provision is set aside when there is objective evidence that the Group will not be able to recover the receivable. Uncollectible receivables are recorded as a loss as soon as they are identified as such.

Receivables transferred under factoring agreements and outstanding at the balance sheet date remain under trade receivables, since the Group bears the risk that they will not ultimately be collected.

Non-current assets held for sale and related liabilities

In accordance with IFRS 5, non-current assets available for sale, the sale of which is highly probable and in respect of which an active programme to locate a buyer and complete the plan has been initiated by the appropriate management, are classified as assets held for sale. Non-current assets classified as held for sale are measured and recognised at the lower of their net carrying amount and their fair value less costs to sell. Depreciation of those assets is discontinued.

Hedging derivatives

The Group is exposed to fluctuations in metals prices, particularly lead and zinc. 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 also uses derivatives to reduce its exposure to fluctuations in metal prices related to firm commitments arising from sale contracts which are not recognised on the balance sheet. These derivatives are deemed to be fair value hedges.

The Group primarily uses futures and options.

The Group applies the accounting principles specific to hedge accounting insofar as it can be demonstrated that hedging relationships between derivatives and the risks hedged satisfy the requisite conditions to qualify for hedge accounting.

The hedging relationship satisfies the conditions for the application of hedge accounting if it is designated as such and documented formally when the hedge is put in place and if it is demonstrated that the hedge is effective at inception and continuously throughout the entire period for which it was initially implemented. Hedges are considered to be effective when the hedging instrument offsets between 80% and 125% of changes in fair value in and cash flows from the hedged item. Both retrospective and prospective hedge effectiveness tests must be passed.

Recognition of hedging transactions

The Group identifies the hedging item and the hedged item as soon as the hedging is arranged, and formally documents the hedging relationship by identifying the hedging strategy, the risk hedged and the method used to assess the effectiveness of the hedge:

• fair value hedging:

the hedged item is re-measured with respect to the risk hedged, and the hedging instrument is measured and recognised at its fair value. Changes in these two items are recorded simultaneously under operating income.

• cash flow hedges:

the hedged item is not re-measured, and only the hedging instrument is re-measured at fair value. As the counterpart to this re-measurement, the effective portion of the change in fair value attributable to the hedged risk is recognised net of tax in equity. Amounts accumulated in equity are taken back to income when the hedged item affects the income statement. The ineffective portion is kept in income for the period.

Cash and cash equivalents

Cash and short-term deposits recognised on the balance sheet include bank balances, cash and short-term deposits with an initial maturity of less than three months.

For the purposes of the cash flow statement, cash and cash equivalents include cash and cash equivalents as defined above, net of short-term bank overdrafts.

Interest-bearing borrowings

All borrowings are initially recognised at the fair value of the amount received less any directly attributable transaction costs. Following initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest rate method.

In accordance with IAS 32, any commitment to buy back shares must give rise to the recognition of a financial liability through a deduction against equity in an amount equal to the discounted repurchase price. Once the repurchase price is set, only the impact of unwinding the discounting effect affects future earnings.

IAS 27 “Consolidated and Separate Financial Statements” and IAS 32 “Financial instruments: disclosures and presentation” have prompted the Group, based on the regulations as they currently stand, to recognise firm and conditional commitments to buy out minority interests under debt, with a corresponding adjustment to minority interests. When the value of the commitment exceeds the amount of minority interests, the balance is recognised as a reduction in equity attributable to Recylex SA’s shareholders. The fair value of commitments to buy out minority interests is reviewed at each balance sheet date. The corresponding debt is adjusted through a balancing entry under financial income or expense. Any commitment of this type gives rise to the recognition of a debt equal to the discounted value of the purchase price.

The portion of debt due in less than one year is shown under current liabilities.

Provisions

Provisions are set aside when the Group has legal, contractual or implied obligation to a third party arising as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, without any equivalent benefit being anticipated and where the amount of the obligation may be estimated reliably.

Where the Group anticipates partial or full repayment of the provision, for instance under an insurance contract, the repayment is recognised as a separate asset, but only if the repayment is almost assured. The expense associated with the provision is shown on the income statement net of any repayment.

If the effect of time value is material, provisions are discounted at a pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where the provision is discounted, the increase in the provision linked to the passage of time is recognised as a borrowing cost.

When the provision is used, the provision is reversed through a credit to the expense account in which the expense covered by the provision was recorded. When the reversal of the provision reflects the extinguishment of the risk factor without any related outlay, the reversal takes place through a credit to the allowances for provisions account.

The provisions set aside by the Group primarily cover site remediation and pollution abatement.

Provisions are set aside to cover risks identified at sites in operation wherever a legal or regulatory obligation arises.

In addition, provisions for site remediation are recognised in respect of discontinued sites, in accordance with the legal requirements.

The provisions set aside to cover these risks are assessed are measured on the basis of a forecast budget prepared with the help of specialist consultancies, depending on legal and technical factors known at the time the estimates are made. The Group then consults contractors in order to refine its forecasts.

Provisions arising during the normal business cycle are classified under current provisions.

Employee benefits

The Group sets aside two types of provision:

Provisions for long-service awards

These provisions are set aside where local rules (law, internal procedures, etc.) give rise to a liability for the Group.

Provisions for post-retirement benefit obligations

Pursuant to the law and customary practice in each country, the Group provides its employees with pension plans. In France, each Group employee receives a lump-sum payment upon retirement. In Germany, certain employees receive supplementary pension payments.

Aside from the statutory plans, pension plans may be either defined contribution or defined benefit plans.

Statutory pension plans

In certain countries, most notably in France, the Group contributes to the statutory social security plan, whereby the expense incurred during a period matches the contributions payable to government agencies.

Defined contribution plans

Benefits paid depend solely on total contributions into the plan and the return achieved on investments of these amounts. The Group's obligation is limited to the contributions paid, which are expensed as incurred.

Defined benefit plans

The Group's obligation under these pension plans is calculated on an annual basis by independent actuaries using the projected unit credit method. These obligations are assessed based on assumptions concerning mortality, staff turnover and estimated future salaries.

Projected future benefits are discounted to net present value using appropriate rates for each country. Discount rates are determined by reference to the rates of return on bonds issued by prime corporate borrowers.

There are two different types of pension plan in this category:

- annuity plans: beneficiaries receive pension payments throughout their retirement (German retirement plan);
- lump-sum payments upon retirement or departure from the Company (lump-sum end-of-career payments in France).

Actuarial gains and losses arise when differences are observed between actual figures and previous estimates, or following changes in actuarial assumptions. For post-employment benefit obligations, these gains and losses are accounted for using the corridor approach: gains and losses resulting from changes in actuarial assumptions or experience adjustments are recognised only when they exceed 10% of the value of the obligation. The portion in excess of 10% is then amortised over the average residual service life of the relevant employees.

Share-based payments

The Group uses share-based remuneration methods.

Stock options and free share plans have been granted to certain senior managers and employees of the Group.

Stock options:

The fair value of services received in return for the grant of these options is measured definitively with reference to the fair value of those options at the grant date and to the number of options for which the vesting conditions will be met at the end of the vesting period. In carrying out this measurement, the Group uses a Black & Scholes mathematical valuation model. During the vesting period, the total fair value is charged on a straight-line basis over the whole vesting period for the plan in question, and the number of options for which the vesting conditions will be met is reviewed at each balance sheet date. The expense is recognised in staff costs, and its balancing entry is an increase in equity. When options are exercised, the exercise price received by the Group is recognised in cash and cash equivalents, with a balancing entry in equity.

Free share allocations:

Free shares are measured at fair value on the grant date. This amount is recognised under staff costs on a straight-line basis over the vesting period of the rights (period between the date of grant and the maturity date of the plan).

Only plans granted after November 7, 2002, under which rights had not vested by January 1, 2005 are stated and recognised in accordance with IFRS 2.

Leases

Material finance leases, which transfer substantially all the risks and rewards of ownership incidental to ownership of the leased asset, are recognised on the face of the balance sheet from the inception of the lease. They are recorded under property, plant and equipment at the lower of the fair value of the leased asset and the present value of minimum lease payments. A financial liability of the same amount is recognised under liabilities. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The finance charge calculated on the liability is recognised directly in income.

Leased assets are depreciated over their estimated useful life.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Revenue recognition

Revenue is recognised when all the following conditions have been satisfied:

- evidence can be provided that an agreement exists between the parties;
- the delivery of the goods has taken place or the service has been performed;
- the price has been set or is determinable.

Revenue from the sale of goods is recognised when the entity has transferred to the buyer the risks and rewards of ownership of the goods, i.e. upon delivery. Revenue from sales of services is recognised:

- when metal dust has been physically consumed for waste metal dust elimination services;
- as the service is performed, for maintenance services.

Presentation of the income statement and principal financial indicators

As permitted under IAS 1: “Presentation of financial statements”, the Group presents its income statement using the nature of expense method. The Group has applied CNC recommendation 2004-R-02 of October 27, 2004 for the presentation of its income statement.

Operating income before non-recurring items

Operating income before non-recurring items includes all recurring income and expense arising directly from the Group’s business activities, excluding income and expense resulting from one-off decisions and transactions, such as the effects of the continuation plan on corporate liabilities, an issue covered in detail in note 18 to the consolidated financial statements.

Other non-recurring operating income and expense

This heading is used where a major event that occurred during the accounting period is liable to skew analysis of the Group’s performance.

It includes a very limited number of income and expense items, which are unusual by virtue of their frequency, nature or amount.

Operating income

Operating income reflects all income and expense items arising directly from the Group’s business activities, irrespective of whether these items are recurring or whether they are the result of one-off decisions and transactions.

Income tax

Income tax assets and liabilities falling due in the current or in previous financial years are stated at the amount expected to be collected from or paid to the taxation authorities. The tax rates and tax regulations used to determine these amounts are those enacted or substantively enacted at the balance sheet date.

Deferred taxes are recognised using the liability method in respect of all temporary differences existing at the balance sheet date between the tax base of assets and liabilities and their carrying amount in the balance sheet, as well as on tax loss carryforwards.

Deferred taxes are measured at the tax rates that have been enacted at the balance sheet publication date.

A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each balance sheet date and are written down, where the risk of non-recovery exists.

Earnings per share

Basic earnings per share are calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the period and the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares.

Note 3. Property, plant and equipment

Property, plant and equipment, excluding assets held for sale, break down as follows:

a) Property, plant and equipment at December 31, 2008 and December 31, 2007

12/31/2008 (In thousands of euros)	Gross	Accumulated depreciation	Impairment losses	Net
Land	5,407	(464)		4,943
Buildings	110,543	(81,026)	(1,402)	28,115
Plant and tools	212,539	(173,787)	(6,533)	32,219
Assets in progress	4,702	100	(100)	4,702
Other	20,571	(15,149)		5,422
TOTAL	**353,762**	**(270,326)**	**(8,035)**	**75,401**

12/31/2007 (In thousands of euros)	Gross	Accumulated depreciation	Impairment losses	Net
Land	5,407	(460)		4,947
Buildings	106,737	(79,181)	(1,200)	26,356
Plant and tools	208,059	(168,915)	(1,330)	37,814
Assets in progress	3,713	100	(100)	3,713
Other	19,094	(14,540)		4,554
TOTAL	**343,010**	**(262,996)**	**(2,630)**	**77,384**

b) Change in property, plant and equipment between January 1, 2007 and December 31, 2008

(In thousands of euros)	Net
Net carrying amount after depreciation and impairment losses at January 1, 2007	**71,879**
Additions	15,252
Depreciation expense for the year	(9,884)
Disposals and retirements	(5,866)
Reversals of depreciation during the period	5,866
Other	137
Net carrying amount after depreciation and impairment losses at December 31, 2007	**77,384**
Additions	14,694
Depreciation expense	(10,578)
Impairment losses(1)	(5,405)
Disposals and retirements	(3,641)
Reversals of depreciation during the period	2,947
Other	
NET CARRYING AMOUNT AFTER DEPRECIATION AND IMPAIRMENT LOSSES AT DECEMBER 31, 2008	**75,401**

(1) Concerning the property, plant and equipment of Norzinco SA and Harz-Metall GmbH.

Additions include €6.2 million relating to improvements to the production facility at the main lead smelter in Nordenham, Germany (Weser Metall GmbH), €2.3 million relating to improvements to the French battery breaker facility and €4.0 million relating to measures to raise productivity at the zinc oxide production plants in Germany (Norzinco GmbH and Harz-Metall GmbH) and France (Recytech SA, 50%-owned).

c) Subsidies related to property, plant and equipment

Subsidies related to property, plant and equipment are presented on the face of the balance sheet as a reduction in the value of the relevant assets and accordingly give rise to a reduction in annual depreciation expense.

The subsidies obtained originate from regional development funds in Germany and were granted subject to certain recruitment or investment conditions. At the balance sheet date, all the subsidies recognised satisfy the conditions of grant, and so there is no risk that they will have to be repaid.

d) Property, plant and equipment acquired under finance leases

(In thousands of euros)	Gross	Depreciation	Net
12/31/2008	2,661	(1,816)	845
12/31/2007	2,661	(1,571)	1,090
12/31/2006	2,600	(1,326)	1,274

Assets held under finance leases mainly comprise production equipment.

Note 4. Intangible assets and goodwill

Goodwill and intangible assets, excluding assets held for sale, break down as follows:

a) Goodwill and intangible assets at December 31, 2008 and December 31, 2007

12/31/2008 (In thousands of euros)	Gross	Accumulated amortisation	Impairment losses	Net
Goodwill	792		(792)	0
Concessions, patents, licences, etc.	8,983	(6,865)		2,118
TOTAL	**9,775**	**(6,865)**	**(792)**	**2,118**

12/31/2007 (In thousands of euros)	Gross	Accumulated amortisation	Impairment lossesr	Valeurs nettes
Goodwill	792		(792)	0
Concessions, patents, licences, etc.	8,600	(6,643)		1,957
TOTAL	**9,392**	**(6,643)**	**(792)**	**1,957**

The impairment loss relates to the goodwill allocated to the Norzinco SA cash-generating unit, which was written off in full on January 1, 2004 (€675 thousand), and to the Reinstmetalle Osterwieck GmbH CGU (€117 thousand).

b) Change in intangible assets between January 1, 2007 and December 31, 2008

(In thousands of euros)	Net
Net carrying amount at January 1, 2007 after amortisation and impairment losses	**956**
Additions	1,154
Goodwill arising on acquisitions	117
Amortisation expense	(153)
Impairment losses	(117)
Net carrying amount at December 31, 2007 after amortisation and impairment losses	**1,957**
Additions	387
Goodwill arising on acquisitions	
Amortisation expense	(225)
Disposals	(4)
Releases of amortisation during the period	3
NET CARRYING AMOUNT AT DECEMBER 31, 2008 AFTER AMORTISATION AND IMPAIRMENT LOSSES	**2,118**

Note 5. Impairment testing

5.1 Evidence of impairment

At December 31, 2008, the Group observed evidence of impairment at the following cash-generating units (CGUs):

- **Zinc business:**

– CGU Harz-Metall GmbH;

– CGU Recytech SA;

– CGU Norzinco GmbH;

– CGU Norzinco SA.

In the zinc business, units suffered from the sharp fall in zinc prices in 2008. Harz-Metall GmbH and Recytech SA brought forward their maintenance programmes and temporarily stopped production of Waelz oxides.

Norzinco SA started winding down its operations in late 2008.

- **Lead business:**

– CGU Weser Metall GmbH.

In the lead business, the Group's main lead-smelter in Germany suffered from the sharp fall in lead prices in the fourth quarter of 2008.

- **Plastics business:**

– CGU C2P SAS.

- **Special metals business:**

– CGU PPM GmbH;

– CGU RMO GmbH.

The Group performed an impairment test on these CGUs

5.2 Impairment testing

As part of this test, the Group compared the carrying amount of each CGU with its recoverable amount, which is defined as the higher of its value in use and fair value less costs to sell.

To determine value in use, the Group discounts estimated future cash flows over a period of five years, and calculates a terminal value. The discount rate used to calculate value in use is the Group's after-tax weighted average cost of capital, which is 10.2% (2007: 10.57%).

The weighted average cost of capital is calculated on the following basis:

- cost of equity: a risk-free rate, equal to the average ten-year OAT yield over a one-year period, a sector beta, a 5% market risk premium and a 2% specific risk premium;
- cost of debt: a spread of 1.5%;
- and a sector-average gearing figure for weighting the two components.

Future cash flows are based on metal prices anticipated by the market until 2011, beyond which they are assumed to remain at the same level until 2013, and lower metal prices for terminal value. The EUR/USD exchange rate used to calculate cash flows is kept constant over the five-year forecast period and for the terminal value. The exchange rate used is the average for the fourth quarter of 2008.

5.3 Test results and impairment recogniseds

The results of these tests prompted the Group to impair the property, plant and equipment of the Harz-Metall GmbH CGU. The property, plant and equipment of the Norzinco SA CGU was written down in full when the winding-down process began.

As regards the C2P Germany CGU, the remaining amount of impairment loss provisions relating to the Group's industrial property, plant and equipment totals €2.6 million. At December 31, 2008, there was no evidence prompting the release of impairment loss provisions.

The net carrying amount at December 31, 2008, after impairment losses, of the relevant production assets breaks down as follows:

12/31/2008 (In millions of euros)	CGU C2P Germany	CGU Norzinco France	CGU Harz-Metall GmbH	CGU RMO
Gross value of production assets	5.7	5.3	37.6	3.4
Accumulated depreciation	(2.8)	(2.2)	(30.9)	(0.4)
Impairment losses	(2.6)	(3.1)	(2.6)	0
Net value of production assets	**0.3**	**0**	**4.1**	**3.0**
Activity	**Plastics**	**Zinc**	**Zinc**	**Special metals**
Valuation method	**Discounted cash flow**	**Fair value net of selling costs**	**Evidence of impairment**	**Discounted cash flow**

12/31/2007 (In millions of euros)	CGU C2P Germany	CGU Norzinco France	CGU RMO
Gross value of production assets	5.6	5.5	3.2
Accumulated depreciation	(2.4)	(2.4)	(0.1)
Impairment losses	(2.6)	0	0
Net value of production assets	**0.6**	**3.1**	**3.1**
Activity	**Plastics**	**Zinc**	**Special**
Valuation method	**Evidence of impairment**	**Discounted cash flow**	**Discounted cash flow**

5.4 Sensitivity analysis

The Group has carried out sensitivity analyses on the main parameters affecting future cash flow, including terminal value, and their impact on the results of impairment tests. The main parameters are metal prices and the EUR/USD exchange rate.

Zinc business:

- a USD100 fall in the zinc price, assuming no change in the EUR/USD exchange rate, would lead to €3.7 million of additional impairment. A USD100 increase in the zinc price would lead to the release of all €2.6 million of impairment provisions;
- a 10-cent fall in the dollar against the euros, assuming no change in the zinc price, would lead to additional impairment of €3 million, and a 10-cent rise in the dollar against the euro would lead to the release of all €2.6 million of impairment provisions.

Lead business:

- a USD100 fall in the lead price, assuming no change in the EUR/USD exchange rate, would lead to €4.4 million of impairment;
- a 10-cent fall in the dollar against the euro, assuming no change in the lead price, would lead to additional impairment of €2.9 million.

NOTE 6. Non-current financial assets

The Group believes that the cost or amortised cost of non-current financial assets represents a reasonable estimate of their fair value. The Group's non-current financial assets can be broken down as follows:

(In thousands of euros)	12/31/2008	12/31/2007
Available-for-sale financial assets	93,700	93,700
Loans and advances to investee companies	150,608	150,608
Loans	579	825
Other financial assets	333	391
Financial assets before impairment	245,220	245,524
Impairment	(244,422)	(244,481)
NON-CURRENT FINANCIAL ASSETS	**799**	**1,043**

Available-for-sale financial assets primarily comprise investments in unconsolidated subsidiaries, in which the Group owns an interest of over 50%. The primary characteristics of unconsolidated subsidiaries over 50%-owned by the Group are shown in the following table:

(In thousands of euros)	Registered offices	Net carrying amount of securities at 12/31/2008	Net carrying amount of securities at 12/31/2007
Fers & Minières	–		
Traitements Métallurgiques	–		
Metaleurop Nord	Paris	59,510	59,510
Franco Haïtienne des mines	–		
Metaleurop International Finance	Amsterdam	253	253
Penarroya Espagne	Cartagena	33,872	33,872
Vicmetco Inc.	–		
ME Trade España	Madrid	64	64
Penarroya Utah	Utah	1	1
Gross value of available-for-sale financial assets		93,700	93,700
Less: Impairment losses		(93,700)	(93,700)
NET VALUE OF AVAILABLE-FOR-SALE FINANCIAL ASSETS		**0**	**0**

Metaleurop Nord SAS and Penarroya Espagne are in court-ordered liquidation, and were not consolidated at December 31, 2008 in accordance with IAS 27-21. The corresponding shares were fully written down.

Loans and advances to these companies, in an amount of €150,608 thousand, were written off in full.

Note 7. Other long-term assets

Other long-term assets (€2,953 thousand) mainly correspond to the surrender value of reinsurance policies for pension liabilities taken out by the Group's six German subsidiaries. These policies were recognised under "Other current assets" at December 31, 2007 (€1,910 thousand).

Note 8. Inventories

Inventories held by the Group break down as follows:

(In thousands of euros)	12/31/2008	12/31/2007
Raw materials	19,111	39,513
Work in progress	21,318	29,369
Finished and semi-finished goods	14,409	19,952
Sub-total	**54,838**	**88,834**
Less: Impairment losses	(10,631)	(10,157)
NET VALUE OF INVENTORIES AND WORK IN PROGRESS	**44,207**	**78,677**

Inventories fell sharply by comparison with December 31, 2007. The decline was caused by lower commodity prices (lead and zinc) and lower inventory volumes at December 31, 2008.

Note 9. Trade receivables

Trade receivables break down as follows:

(In thousands of euros)	12/31/2008	12/31/2007
Trade receivables[1]	29,380	59,197
Less: Impairment losses	(4,764)	(5,236)
NET VALUE OF TRADE RECEIVABLES	**24,616**	**53,961**

(1) An amount of €1,690 thousand in discounted receivables not yet due at the balance sheet date was reclassified under trade receivables in accordance with IAS 39 at December 31, 2008. At December 31, 2007, discounted receivables not yet due amounted to €5,856 thousand.

Trade receivables do not bear interest and are generally payable in zero to sixty days. They fell sharply by comparison with December 31, 2007. The decline was caused by lower commodity prices (lead and zinc) and the downturn in activity in the fourth quarter of 2008.

Note 10. Other current assets

Other current assets break down as follows:

(In thousands of euros)	12/31/2008	12/31/2007
Advances and downpayments on orders in progress	1,633	1,732
Social security receivables	389	294
Tax receivables	3,806	2,001
Other receivables	2,525	3,474
Prepaid expenses	302	231
TOTAL OTHER CURRENT ASSETS	**8,655**	**7,732**

Note 11. Cash and cash equivalents

The Group's cash and cash equivalents include:

(In thousands of euros)	12/31/2008	12/31/2007
Cash at bank and in hand	71,078	73,484
Other short-term investments	6,371	5,678
TOTAL CASH AND CASH EQUIVALENTS	**77,450**	**79,162**

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

At December 31, 2008, the Group had €6,896 thousand of available undrawn credit facilities for which drawdown conditions were satisfied.

Note 12. Non-current assets held for sale and related liabilities

12.1 Groupement Forestier Malacan

Groupement Forestier Malacan was sold in the first half of 2008.

(In thousands of euros)	12/31/2008	12/31/2007
Gross value of securities held for sale	0	59
Impairment losses	0	(59)
NET VALUE OF SECURITIES HELD FOR SALE	**0**	**0**

Note 13. Issued capital and reserves

13.1 Share capital and share premiums

The share capital comprised 23,957,982 fully paid-up shares with par value of €2.0 each at December 31, 2008.

The share capital increased from €47,824 thousand to €47,916 thousand through the creation of 46,000 new shares following the exercise of stock options between January 1 and December 31, 2008.

Ordinary shares in issue and fully paid-up	Number of shares	Nominal value (In euros)	Share capital (In thousands of euros)	Share premiums (In thousands of euros)
At January 1, 2008	23,911,982	2.00	47,824	409
Issuance of shares following exercise of stock options between January 1, 2008 and December 31, 2008	46,000	2.00	92	374
AT DECEMBER 31, 2008	**23,957,982**	**2.00**	**47,916**	**783**

13.2 Treasury shares

At December 31, 2008, the Group owned 73,939 treasury shares, unchanged relative to December 31, 2007. These treasury shares were bought by the company between September 2000 and June 2001 as part of a share buyback programme authorised by shareholders in the March 30, 2000 Annual General Meeting. Their average purchase price was €6.81. Treasury shares are deducted from equity.

	12/31/2008	12/31/2007
Number of treasury shares	73,939	73,939
Value of treasury shares held (In thousands of euros)	504	504

Treasury shares are measured at their historical cost of €504 thousand.

13.3 Stock options and free shares allocations

Details of existing plans

At the Annual General Meetings of June 26, 1995 and March 30, 2000, shareholders authorised the introduction of stock option plans. Between 1998 and 2002, the Management Board granted stock options under these authorisations.

On September 26, 2008, Recylex SA's Board of Directors granted stock options and free shares. The Board of Directors had been authorised to make these grants of free shares by the General Meetings of July 16, 2007 and May 6, 2008, and grants of stock options by the General Meeting of July 28, 2006.

Stock options

The stock options granted may be settled in shares (settlement in equity instruments within the meaning of IFRS 2).

The main characteristics of stock option plans in force at December 31, 2008 and likely to give rise to the creation of shares through the exercise of stock options, are as follows:

Date of grant (date of Management Board meeting)	23/04/1998	26/04/1999	06/09/1999	03/05/2000	20/09/2002	26/09/2008
Number of options granted	361,000	544,500	37,000	253,900	273,650	540,000
Subscription price	€10.1	€5.3	€5.3	€7.5	€2.21	€5.70
Vesting period	5 years	5 years	5 years	4 years	4 years	4/5 years(1)
Life of options	10 years	10 years	10 years	10 years	10 years	10 years

(1) 50% of options vest after a period lasting for four years from the date of the relevant Board meeting, and the other 50% after a period lasting for 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 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 2008 break down as follows:

Date of grant	Number of options outstanding at 12/31/2007	Number of options granted during the period	Number of options exercised during the period	Number of options lapsed during the period	Number of options outstanding at 12/31/2008	Strike price (In euros)	Plan expiry
04/23/1998	81,400		(46,000)	(35,400)		10.1	
04/26/1999	119,000				119,000	5.3	04/25/2009
05/03/2000	64,900				64,900	7.5	02/05/2010
09/20/2002	67,900				67,900	2.2	09/19/2012
09/26/2008	–	540,000			540,000(1)	5.7	09/25/2018
TOTAL	**333,200**	**540,000**	**(46,000)**	**(35,400)**	**791,800**	**5.5**	

(1) 50% of options will not vest and cannot be exercised until September 26, 2012 and 50% until September 26, 2013.

Free share allocations

The General Meetings of July 16, 2007 and May 6, 2008 authorised 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 company officers of the Company and/or related companies as defined in article L. 225-197-2 of the French Commercial Code.

On September 26, 2008, Recylex SA's Board of Directors introduced a plan to allot 50,000 free shares to the Group's employees and corporate officers. These shares will vest after two years (on September 26, 2010) for beneficiaries residing in France and after four years (on September 26, 2012) for beneficiaries residing in Germany, subject to their being employed by a Group company on the vesting date, unless otherwise provided for by the plan. Shares vested in beneficiaries residing in France must be held for a minimum period of two years after vesting (to September 26, 2012).

Number of instruments in circulation

Transactions in 2008 involving share-based payment instruments can be summarised as follows:

	Stock options		Free shares		
	Number of options	Contractual residual life	Number of shares	Contractual residual life	
		Total		France	Germany
Balance at December 31, 2007	**333,200**	**1.94**	**–**	**–**	**–**
– allotted	540,000	9.78	50,000	1.75	3.79
– cancelled	(35,400)	–	–	–	–
– exercised	(46,000)	–	–	–	–
BALANCE AT DECEMBER 31, 2008	**791,800**	**7.12**	**50,000**	**1.75**	**3.79**

Accounting impact of instruments allotted in 2008

In accordance with IFRS 2, share-based payment instruments are recognised 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 :

- for stock options, 50% of the fair value is recognised over four years and 50% over five years;
- for free shares, the fair value of instruments allotted to beneficiaries residing in France is recognised over two years, and over four years for beneficiaries residing in Germany.

The allotment date, on which the instruments are measured was, in accordance with IFRS 2, set with reference to the date on which beneficiaries were informed.

Recylex uses a Black & Scholes model to estimate the fair value of stock options allotted. This method relies on assumptions made on the measurement date, such as the expected volatility of the Recylex share price, the risk-free rate and the expected dividend rate.

Volatility was based on the historical share-price volatility of Recylex and a sample of comparable companies, taking into account the limited recent historical data available on Recylex's share price.

The expected life of the options was calculated as the average of the vesting period and the instrument's contractual life.

Based on these assumptions, the results for this plan are set out in the table below:

Date of grant	Type	Number	Strike price	Dividend rate	Expected volatility	Risk-free rate	Fair value (In euros)	Accounting charge 2008(2) (In thousands of euros)	Total charge of plan (In thousands of euros)
09/26/2008	Options	540,000	€5.70	0%	40%	4.09%	1.68	42	846
09/26/2008	Free Shares	50,000	–	0%	–	–	4.48	37	221

(2) The accounting charge includes the employer's 10% social-security levy on stock options and free shares.

Note 14. Interest-bearing borrowings

14.1 Analysis of borrowings

a) Current portion of borrowings and debt

(In thousands of euros)	12/31/2008	12/31/2007
Portion due in less than one year	2,787	3,018
Discounted receivables	1,690	5,856
Commitments to buy out minority investors	0	0
TOTAL	**4,477**	**8,874**

b) Non-current borrowings and debt

(In thousands of euros)	12/31/2008	12/31/2007
Portion due in more than one year	11,077	12,963
TOTAL	**11,077**	**12,963**

The amount of not used credit lines is amounting to €6.8 million as of December 31, 2008.

14.2 Repayment schedule of non-current borrowings

(In thousands of euros)	12/31/2008 Less than 1 year	12/31/2008 From 1 to 5 years	12/31/2008 More than 5 years	12/31/2008 Total	12/31/2007
Bank borrowings		11,049	28	11,077	12,963
Interest-bearing browings		**11,049**	**28**	**11,077**	**12,963**

Note 15. Provisions

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

a) Provisions at December 31, 2007 and December 31, 2008

(In thousands of euros)	12/31/2008	12/31/2007
Current provisions		
Environmental provisions	12,512	11,678
Litigation	1,494	1,548
Restructuring		144
Other risks and charges	580	8
	14,586	**13,378**
Non-current provisions		
Environmental provisions	20,614	20,106
Litigation	15,310	605
Restructuring	275	241
Other risks and charges	3,071	2,035
	39,270	**22,987**
TOTAL PROVISIONS	**53,856**	**36,365**

Environmental provisions are described in detail in note 39 and pension liabilities in note 16.

b) Change in provisions at December 31, 2007 and at December 31, 2008

(In thousands of euros)	Provisions at 12/31/2007	Additions during the period	Discounting	Reclassification	Releases of provisions used	Release of provisions not used	Provisions at 31/12/ 2008
Environmental provisions (note 39)	31,785	3,160	1,078	(9)	(2,729)	(159)	33,126
Litigation	2,152	17,826	(2,173)		(359)	(643)	16,803
Restructuring	385	37			(63)	(84)	275
Other risks and charges	2,043	1,617		9	(9)	(8)	3,652
TOTAL PROVISIONS	**36,365**	**22,640**	**(1,095)**		**(3,159)**	**(895)**	**53,856**

Provisions for litigation:

As part of proceedings brought against Recylex SA by 493 former employees of Metaleurop Nord SAS, the Lens labour court (industrial section) handed down its decisions on June 27, 2008: it held that Recylex SA was a co-employer of the former Metaleurop Nord SAS employees, and ordered Recylex SA to pay damages, incorporated into the liabilities of the Company's continuation plan, paid off in instalments. Recylex SA has appealed these decisions, thus suspending execution. The Recylex group has taken a provision for the entire amount. Provisions have also been set aside to cover the claims of 91 former managerial staff of Metaleurop Nord SAS, whose claims were deferred on September 30, 2008 pending a clear decision. In accordance with IAS 37, these provisions have been discounted. The maturity schedule used is that of the rescheduled liabilities. The discounting impact is €2,187 thousand.

Other risks and charges include €1.9 million for tax risks (Germany) and €1.4 million of risks and charges related to the process of discountinuing Norzinco SA's activities.

Note 16. Pensions and post-retirement obligations

Provisions for pension and other post-retirement benefits break down into non-current and current portions as follows:

a) Provisions at December 31, 2007 and December 31, 2008

(In thousands of euros)	12/31/2008	12/31/2007
Post-employment benefits – Current obligations	2,253	1,173
Post-employment benefits – Non-current obligations	28,353	29,816
POST-EMPLOYMENT BENEFITS – TOTAL OBLIGATIONS	**30,606**	**30,989**

b) Change in provisions at December 31, 2007 and at December 31, 2008

(In thousands of euros)	Provisions at 12/31/2007	Additions during the period	Reversals during the period	Provisions at 12/31/2008
Post-employment benefit obligations – Pension liabilities	30,989	1,594	(1,977)	30,606

Changes in defined benefit plan obligations during the period break down as follows:

	Germany		France		Total	
(In thousands of euros)	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007
Change in benefit obligations						
Total current value of benefit obligations at the beginning of the financial year	**(30,803)**	**(32,551)**	**(560)**	**(592)**	**(31,363)**	**(33,143)**
Current service cost during the financial year	(152)	(276)	(26)	(21)	(177)	(297)
Interest expense	(1,517)	(1,420)	(32)	(24)	(1,549)	(1,444)
Transfers	–	–	–	–	–	–
Actuarial gains/(losses)	34	2,142	102	51	136	2,193
Plan amendments	–	–	–	–	–	
Curtailments/settlements	–	(590)	–	–	–	(590)
Benefits paid	1,967	1,952	10	26	1,977	1,978
Other	–	(58)	–	–	–	(58)
Total current value of benefit obligations at the end of the financial year	**(30,471)**	**(30,803)**	**(504)**	**(560)**	**(30,976)**	**(31,363)**
Of which partially or fully funded plans		–		–		–
Of which unfunded plans	(30,471)	(30,803)	(504)	(560)	(30,976)	(31,363)
Coverage of benefit obligations						
Total current value of benefit obligations at the end of the financial year	(30,471)	(30,803)	(504)	(560)	(30,976)	(31,363)
Unrecognised actuarial gains and losses	501	416	(131)	(42)	370	374
Liabilities recognised on the balance sheet	**(29,971)**	**(30,387)**	**(635)**	**(602)**	**(30,606)**	**(30,989)**
Of which, current portion		–		–	(2,253)	(1,173)

Pension costs recognised break down as follows:

(In thousands of euros)	Germany		France		Total	
	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007
Current service cost during the financial year	(152)	(276)	(26)	(21)	(177)	(297)
Interest expense	(1,517)	(1,420)	(32)	(24)	(1,549)	(1,444)
Amortisation of actuarial gains and losses	118	(65)	14	(8)	132	(73)
Settlement impact	–	(590)	–	–		(590)
Other	–	(59)	–	–		(59)
Net periodic costs	**(1,550)**	**(2,410)**	**(43)**	**(53)**	**(1,594)**	**(2,463)**

Amounts recognised on the balance sheet changed as follows:

(In thousands of euros)	Germany		France		Total	
	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007
Amount (provisioned)/ recognised as an asset at the beginning of the financial year	(30,387)	(29,927)	(602)	(576)	(30,989)	(30,503)
Net periodic costs	(1,550)	(2,410)	(43)	(53)	(1,594)	(2,463)
Contributions/benefits paid	1,967	1,950	10	27	1,977	1,977
Amount (provisioned)/recognised as an asset at the end of the financial year	**(29,971)**	**(30,387)**	**(635)**	**(602)**	**(30,606)**	**(30,989)**

Experience adjustments arising from benefit obligations amounted to €530 thousand of losses at December 31, 2008. At December 31, 2007, they amounted to €300 thousand of losses in Germany and €10 thousand of profits in France, and at December 31, 2006 they amounted to €314 thousand of losses. These amounts are amortised using the corridor method: only actuarial gains and losses exceeding 10% of the higher of debt or assets at the start of the period are recognised over the average remaining working lives of employees covered by the plan.

The benefit obligation and plan assets at the end of the past five financial years are shown below:

For Germany:

(In thousands of euros)	Germany				
	12/31/2004	12/31/2005	12/31/2006	12/31/2007	12/31/2008
Total current value of benefit obligations at the end of the financial year	32,797	33,732	32,551	30,803	30,471
Market value of plan assets at the end of the financial year.	–	–	–	–	–
Coverage of benefit obligations	**(32,797)**	**(33,732)**	**(32,551)**	**(30,803)**	**(30,471)**

For France:

(In thousands of euros)	France				
	12/31/2004	12/31/2005	12/31/2006	12/31/2007	12/31/2008
Total current value of benefit obligations at the end of the financial year	449	582	592	560	504
Market value of plan assets at the end of the financial year	–	–	–	–	–
Coverage of benefit obligations	**(449)**	**(582)**	**(592)**	**(560)**	**(504)**

Actuarial assumptions

The assumptions underpinning measurements at the 2007 and 2008 balance sheet dates are presented below:

	Germany		France	
(In thousands of euros)	12/31/2008	12/31/2007	12/31/2008	12/31/2007
Discount rate	5.50%	5.10%	5.50%	5.15%
Salary increase assumptions	**2.25%**	**2.0%**	**2.00%**	**2.1%**

The discount rate is based on the Bloomberg Corporate AA ten-year index at October 15, 2008. This discount rate was maintained at December 31, 2008, despite the decline in the Bloomberg rate to 5.1%, taking into account market rates for euro-zone bonds with maturities of over ten years, which were between 5% and 5.6% at December 31, 2008.

The following table presents a study of the sensitivity of actuarial obligations to changes in the discount rate applied:

(In thousands of euros)	Germany	France
0.25% increase in discount rate	(861)	(3)
0.25% decrease in discount rate	822	3
1% increase in discount rate	(2,978)	(11)
1% decrease in discount rate	3,485	12

Since Recylex has elected to use the corridor approach for recognising actuarial gains and losses, a reduction or an increase in the discount rate would not alter the amount of its benefit obligations at December 31, 2008.

c) Defined contribution plans

The Group's obligation is limited to the contributions paid, which are expensed as incurred. The contributions expensed under the Company's own plans (excluding statutory and social security-type plans) amounted to €14 thousand during 2008 and related solely to FMM (Belgium). The contributions expensed in prior years break down as follows:

Years	Contributions (In thousands of euros)
2007	7.1
2006	9.6
2005	9.8

d) Legal right to continuous training (DIF) at French companies

The total number of theoretical training hours corresponding to vested rights stood at around 7,916. The actual amount of activations requested stood at 125 during 2008. In accordance with opinion no. 2004-F issued by the Comité d'Urgence (interpretations committee) of the Conseil national de la comptabilité (national standards-setter) on October 13, 2004, no provision for individual training rights was set aside in the consolidated financial statements:

Note 17. Trade payables

The Group's trade payables break down as follows:

(In thousands of euros)	12/31/2008	12/31/2007
Trade payables	16,451	24,200
Total trade payables	**16,451**	**24,200**

Trade payables do not bear interest and are generally payable within zero to ninety days.

Note 18. Other current liabilities

Other current liabilities break down as follows:

(In thousands of euros)	12/31/2008	12/31/2007
Liabilities rescheduled under the continuation plan (note 19)	1,713	1,714
Tax and social security liabilities	10,389	16,598
Liabilities related to non-current assets	249	193
Other liabilities	8,570	8,542
Prepaid income	8	410
Fair value of underlying hedged risk	54	–
TOTAL	**20,983**	**27,458**

The decrease in tax and social security liabilities was principally attributable to the reduction in income tax and business tax liabilities at German companies Recylex GmbH and Weser Metall GmbH.

Other liabilities include an option to sell to PPM GmbH 6% of the share capital of Metaleurop Weiterverarbeitung GmbH, previously owned by TUI Group AG, which was exercised on July 4, 2003 for €6 million. Settlement of this amount was deferred pending the outcome of a claim against the TUI Group AG. This claim relates to the repayment of environmental costs incurred by Harz-Metall GmbH and PPM Pure Metals GmbH in respect of past pollution that occurred when TUI Group AG was the operator of the relevant sites.

Note 19. Liabilities rescheduled under the continuation plan

Following Metaleurop SA's (now Recylex SA) filing for insolvency on October 21, 2003 and the commencement of administration proceedings on November 13, 2003, the Company's outstanding liabilities were frozen at that date.

In 2005, following the continuation plan agreed by the French legal authorities (Paris Commercial Court), these liabilities were reclassified under current and non-current liabilities according to their due date.

These liabilities were then rescheduled based on the two options provided for in the continuation plan:

• **option 1 :** repayment of 50% of the liability, without interest, over a two-year period, with 25% due on the first anniversary date of adoption of the continuation plan and 25% on the second anniversary date of adoption of the continuation plan. Waiver of the remainder of the liability subject to a clawback provision. This clause provides that from and including December 31, 2015, the Company will allocate 20% of its cash at December 31 in each financial year to the repayment of the waived debt on a pari passu basis between creditors, with no limit on the duration of such repayments. The total amount of liabilities covered by the clawback provision stands at €19,210 million, and they are presented under commitments and contingencies in note 31.5;

• **option 2 :** repayment of 100% of the liability, without interest over a ten-year period:

– 4% of the liability on the 1st anniversary date of adoption of the continuation plan,

– 4% of the liability on the 2nd anniversary date of adoption of the continuation plan,

– 8% of the liability on the 3rd anniversary date of adoption of the continuation plan,

– 8% of the liability on the 4th anniversary date of adoption of the continuation plan,

– 10% of the liability on the 5th anniversary date of adoption of the continuation plan,

– 10% of the liability on the 6th anniversary date of adoption of the continuation plan,

– 12% of the liability on the 7th anniversary date of adoption of the continuation plan,

– 12% of the liability on the 8th anniversary date of adoption of the continuation plan,

– 16% of the liability on the 9th anniversary date of adoption of the continuation plan,

– 16% of the liability on the 10th anniversary date of adoption of the continuation plan.

In accordance with section 40 of IAS 39, upon an exchange between an existing borrower and lender of debt instruments, it is established whether the terms of the original financial liability and the new financial liability are substantially different.

The present value of cash flows under the new borrowing terms provided for in the continuation plan discounted at the original effective interest rate differs by over 10% from the amortised cost of the original financial liability. Accordingly, the Group believes that this renegotiation of debt should be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the redemption cost (fair value of the new borrowings) and the amortised cost of the original liability has thus been recognised in income at the date on which the continuation plan was agreed.

The fair value of the new liability is equal to the discounted value of the cash flows provided for in the continuation plan. The special nature of this liability means that an appropriate discount rate cannot be determined. Accordingly, the discount rate adopted is a risk-free interest rate of 4.35% (ten-year OAT yield) to take time value into account.

The liabilities rescheduled under the continuation plan are recorded under other current liabilities and other non-current liabilities (note 18).

Analysis of rescheduled liabilities, current

(In thousands of euros)	12/31/2008	12/31/2007
Bank borrowings	12	12
Misc. financial liabilities (including accrued interest)	1,103	1,103
Trade payables	92	90
Tax and social liabilities	77	77
Misc. liabilities	483	499
Current rescheduled liabilities under the continuation plan prior to discounting	**1,767**	**1,781**
IMPACT OF DISCOUNTING CASH FLOWS	**(54)**	**(67)**
Current rescheduled liabilities under the continuation plan after discounting	**1,713**	**1,714**

Nature of non-current rescheduled liabilities

(In thousands of euros)	12/31/2008	12/31/2007
Subsidised loans		
Bank borrowings	117	130
Misc. financial liabilities (including accrued interest)	10,478	11,581
Trade payables	824	912
Misc. financial liabilities	735	813
Misc. liabilities	4,586	5,152
Non-current rescheduled liabilities under the continuation plan prior to discounting	**16,741**	**18,588**
IMPACT OF DISCOUNTING CASH FLOWS	**(2,489)**	**(3,736)**
Non-current rescheduled liabilities under the continuation plan after discounting	**14,252**	**14,852**

Non-current rescheduled liabilities (by maturity)

	12/31/2008		
(In thousands of euros)	From 1 to 5 years	More than 5 years	Total
Non-current rescheduled liabilities before discounting	8,816	7,925	16,741

Note 20. Operating segments

20.1 Early application of IFRS 8 (Operating segments)

The Group has opted for early application of IFRS 8 (Operating segments), as published by the IASB and adopted by the European Union on November 22, 2007.

The information presented 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.

A change of the presentation method was operated by the early application of IFRS 8 in the period ended December 31 and the information for the financial year ended December 31, 2007 was restated.

The Group has five main segments:

- the **Lead** segment, which includes the French and German battery disposal activities and the primary smelting (Nordenham, Germany) and secondary smelting (FMM, Belgium) activities.
- the **Zinc** segment includes the recycling of steelwork particles (production of Waelz oxides at the Harz-Metall GmbH plant in Germany and the Recytech plant in France) and the recycling of zinc-bearing waste (production of zinc oxide by Norzinco GmbH in Germany and Norzinco SA in France).
- the **Special metals** segment, which combines the activities of PPM GmbH and RMO GmbH in Germany (custom production of very-high-purity metals).
- the **Plastics** segment, which combines the activities of C2P SAS in France and C2P GmbH in Germany (recycling of plastic materials).
- the **Other businesses** segment includes the activities of parent company Recylex SA, the activities of the Group's other commercial and administrative entities and the activities related to the rehabilitation of former industrial and mining sites in France and Germany.

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). At this plant, the Recylex group holds lead inventories in the form of raw materials, semi-finished goods and finished goods. These inventories are essential to the plant's operations. They are turned over continuously and remain relatively stable in volume. The measurement of the aforementioned inventories at Nordenham using the average weighted cost (AWC) method[1] introduces an economic factor that, because of the high volatility of lead prices, may make it hard to assess the performance of the plant, and therefore of the Group's Lead operating segment.

As a result, in its internal reporting, the Recylex group analyses its Lead operating segment using the LIFO method for the measurement of inventories at Nordenham, and reconciles these data with accounts prepared in accordance with IFRS, in which the average weighted cost (AWC) method is used.

20.2 Operating segments

The tables below set out, for each operating segment, revenue, IFRS-compliant operating income before non-recurring items (for the lead segment, operating income before non-recurring items using the LIFO method), net financial items, tax expenses and net income for 2007 and 2008.

Each column of the table below contains figures specific to each segment, which is analysed as an independent entity. The "Eliminations" column shows eliminations of intra-group transactions, allowing reconciliation of segment data with the Group's financial statements.

All inter-segment commercial relationships are conducted on a market basis, on identical terms and conditions to those prevailing for the provision of goods and services to external customers.

Financial year ended December 31, 2008:

(In thousands of euros)	Lead	Zinc	Special metals	Plastics	Other businesses	Eliminations	Total
Sales to external customers	245,574	81,923	25,326	14,234			367,058
Inter-segment sales	4,867		1	1,704		(6,572)	
Total sales	**250,442**	**81,923**	**25,327**	**15,938**		**(6,572)**	**367,058**
OPERATING INCOME BEFORE NON-RECURRING ITEMS (LIFO)[2]	**3,113**	**(3,496)**	**1,991**	**5**	**(9,072)**		**(7,459)**
LIFO > AWC adjustment	(20,408)						
REPORTED OPERATING INCOME BEFORE NON-RECURRING ITEMS (IFRS)	**(17,295)**	**(3,496)**	**1,991**	**5**	**(9,072)**		**(27,868)**
Other non-recurring operating income/ (expense)	(1)	(7,446)	0	0	(15,147)		(22,594)
Net financial items	(2,211)	(529)	(24)	(246)	649		(2,361)
Income tax benefit/ (expense)	4,478	466	(264)	16	(1,597)		3,099
REPORTED NET INCOME (IFRS)	**(15,030)**	**(11,005)**	**1,703**	**(226)**	**(25,166)**		**(49,723)**

(1) IAS 2 requires inventories to be measured using the average weighted cost (AWC) method or the first-in, first-out (FIFO) method.

(2) Operating income before non-recurring items (LIFO) in the Lead segment includes €3 million of inventory impairment losses caused by lower lead prices at December 31, 2008.

(In thousands of euros)	Lead	Zinc	Special metals	Plastics & Other	Eliminations	Total
Intangible assets	377	698	1,019	24		2,118
Property, plant and equipment	48,266	13,842	7,964	5,329		75,401
Inventories[1]	21,724	7,036	13,087	2,359		44,207
Trade receivables	12,857	7,475	2,202	2,083		24,616
TOTAL SEGMENT ASSETS	**83,224**	**29,051**	**24,272**	**9,795**		**146,342**
Provisions and pension liabilities	25,431	10,612	2,294	46,125		84,462
Trade payables	8,928	4,599	566	2,359		16,451
Other current liabilities	22,265	(11,486)	8,752	1,452		20,983
SEGMENT LIABILITIES	**56,624**	**3,726**	**11,612**	**49,935**		**121,896**
Property, plant and equipment	8,980	4,075	993	645		14,694
Intangible assets	378	9				387
INVESTMENTS	**9,358**	**4,084**	**993**	**645**		**15,081**
Additions to property, plant and equipment	(5,768)	(3,251)	(727)	(832)		(10,578)
Additions to intangible assets	(106)	(75)	(44)			(226)
Other non-cash expenses	379	(8,757)	15	(17,178)		(25,541)
DEPRECIATION, AMORTISATION AND ADDITIONS TO PROVISIONS	**(5,495)**	**(12,083)**	**(756)**	**(18,010)**		**(36,344)**

(1) Inventories in the Lead segment, measured using the LIFO method, totalled €20,863 thousand at December 31, 2008.

Financial year ended December 31, 2007:

(In thousands of euros)	Lead	Zinc	Special metals	Plastics	Other businesses	Eliminations	Total
Sales to external customers	335,391	137,797	21,846	14,549			509,582
Inter-segment sales	4,194	16	0	2,174		(6,384)	0
Total sales	**339,585**	**137,812**	**21,846**	**16,723**	**0**	**(6,384)**	**509,582**
OPERATING INCOME BEFORE NON-RECURRING ITEMS (LIFO)	**64,089**	**19,688**	**109**	**236**	**(10,048)**		**74,074**
LIFO –> AWC adjustment	11,258						11,258
REPORTED OPERATING INCOME BEFORE NON-RECURRING ITEMS (IFRS)	**75,347**	**19,688**	**109**	**236**	**(10,048)**	**0**	**85,332**
Other non-recurring operating income/(expense)	7	487	(50)		(1,399)		(955)
Net financial items	(487)	(693)	12	(193)	(969)		(2,330)
Income tax benefit/(expense)	(10,321)	(11,045)	276	(388)	7,150		(14,328)
REPORTED NET INCOME (IFRS)	**64,546**	**8,437**	**347**	**(346)**	**(5,265)**		**67,719**

(In thousands of euros)	Lead	Zinc	Special metals	Plastics and other	Eliminations	Total
Intangible assets	106	764	1,063	24		1,957
Property, plant and equipment	45,387	18,685	7,698	5,615		77,384
Inventories(1)	56,070	11,392	9,427	1,787		78,677
Trade receivables	37,625	11,242	2,325	2,769		53,961
TOTAL SEGMENT ASSETS	**139,188**	**42,083**	**20,513**	**10,195**	**0**	**211,979**
Provisions and pension liabilities	25,139	8,757	2,137	31,321		67,354
Trade payables	14,025	6,121	529	3,525		24,200
Other current liabilities	14,040	(14,602)	8,112	19,909		27,458
SEGMENT LIABILITIES	**53,204**	**275**	**10,778**	**54,755**	**0**	**119,012**
Property, plant and equipment	7,987	3,266	3,573	426		15,252
Intangible assets	52	3	1,100	0		1,155
INVESTMENTS	**8,039**	**3,269**	**4,673**	**426**		**16,407**
Additions to property, plant and equipment	(5,414)	(3,017)	(662)	(791)		(9,884)
Additions to intangible assets	(40)	(76)	(37)	0		(153)
Other non-cash expenses	(6,698)	(171)	211	(4,392)		(11,051)
DEPRECIATION, AMORTISATION AND ADDITIONS TO PROVISIONS	**(12,152)**	**(3,264)**	**(488)**	**(5,183)**		**(21,087)**

(1) Inventories in the Lead segment, measured using the LIFO method, totalled €34,800 thousand at December 31, 2007.

20.3 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.

Financial year ended December 31, 2008:

(In thousands of euros)	Western Europe	Other Europe	Americas	Rest of the world	Total
Total sales	325,379	20,295	4,646	16,727	367,058

(In thousands of euros)	France	Germany	Belgium	Total
Investment (property, plant and equipment and intangible assets)	3,684	11,051	346	15,081
Non-current assets excluding tax and financial assets	16,196	59,855	1,468	77,519

Financial year ended December 31, 2007:

(In thousands of euros)	Western Europe	Other Europe	Americas	Rest of the world	Total
Total sales	435,102	63,316	5,692	5,472	509,582

(In thousands of euros)	France	Germany	Belgium	Total
Investment (property, plant and equipment and intangible assets)	3,231	12,981	196	16,407
Non-current assets excluding tax and financial assets	18,318	59,678	1,345	79,341

20.4 Structure of sales

Sales in the Lead segment come from a limited number of customers. In 2008, 48% of the Group's consolidated sales came from ten customers. None of these customers accounted for more than 10% of the Group's total sales in 2008.

Sales in the other operating segments, particularly Zinc, where the customer base is highly fragmented, come from a large number of customers.

Note 21. External costs

External costs break down as follows:

(In thousands of euros)	12/31/2008	12/31/2007
General sub-contracting	(15,944)	(15,508)
Maintenance and repairs	(13,816)	(13,526)
Insurance premiums	(2,213)	(2,184)
Goods and public transportation	(12,363)	(10,141)
Leasing, rent and service charges	(2,615)	(2,292)
Fees and external labour costs	(4,535)	(4,898)
Travel and entertainment expenses	(795)	(710)
Other external expenses	(3,221)	(2,586)
TOTAL EXTERNAL COSTS	**(55,503)**	**(51,845)**

Note 22. Staff costs

The average Group headcount on a full-time equivalent basis was as follows:

	12/31/2008	12/31/2007
Belgium	23	23
France	118	122
Germany	531	501
TOTAL FTE EMPLOYEES	**672**	**646**

Staff costs break down as follows:

(In thousands of euros)	12/31/2008	12/31/2007
Wages and salaries	(35,095)	(34,255)
Payroll (employer and employee) costs	(7,533)	(7,314)
TOTAL STAFF COSTS	**(42,629)**	**(41,569)**

Note 23. Research and development costs

Research and development costs expensed directly in income amounted to:

(In thousands of euros)	12/31/2008	12/31/2007
Research and development costs	(845)	(734)

Note 24. Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses recognised during the 2008 and 2007 financial years break down as follows:

(In thousands of euros)	12/31/2008	12/31/2007
Depreciation of property, plant and equipment	(10,578)	(9,884)
Amortisation of intangible assets	(226)	(153)
Additions to provisions and impairment losses	(2,716)	(9,519)
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES	**(13,520)**	**(19,556)**

Note 25. Other operating income and expense

Other operating income and expense breaks down as follows:

(In thousands of euros)	12/31/2008	12/31/2007
Operating subsidies	55	45
Other income and expense	1,661	1,451
OTHER OPERATING INCOME AND EXPENSE	**1,716**	**1,496**

Note 26. Other non-recurring operating income and expense

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

(In thousands of euros)	12/31/2008	12/31/2007
Impact of the continuation plan(2)	220	198
Addition to provisions and additional costs incurred at the Estaque plant	(527)	(1,383)
Reversal of provisions for neighbourhood easements at Villefranche and Escaudoeuvres plants	84	312
Charges related to labour court litigation(1)	(15,539)	
Additions to provisions relating to the discontinuation of Norzinco SA's activities	(1,893)	
Impairment losses on Norzinco SA and Harz-Metall GmbH assets	(5,426)	
Other	487	(82)
TOTAL OTHER NON-RECURRING OPERATING INCOME AND EXPENSE	**(22,594)**	**(955)**

(1) The €15.5 million provision for labour court litigation relates to the lawsuits pending before the Lens Labour Court (notes 1 and 15). In accordance with IAS 37, the provision has been discounted (note 15).

(2) Other non-recurring operating income and expense related to the continuation plan breaks down as follows:

(In thousands of euros)	12/31/2008	12/31/2007
Waiver of debt granted to the Recylex group		144
Liabilities extinguished based on the terms agreed under the continuation plan	36	107
Impact of debt waivers and extinguishments following acceptance of the continuation plan	**36**	**251**
Liabilities declared during the financial year		(53)
Additions to and reversals of provisions for litigation on disputed claims under the plan	184	
TOTAL	**220**	**198**

Note 27. Net interest expense

Interest expense on net debt breaks down as follows:

(In thousands of euros)	12/31/2008	12/31/2007
Interest income from cash and cash equivalents	2,637	1,732
Interest expense on bank and non-bank borrowings and bank overdrafts	(934)	(777)
NET INTEREST EXPENSE	**1,702**	**957**

Note 28. Other financial income and expense

(In thousands of euros)	12/31/2008	12/31/2007
Net foreign exchange gains and losses	(428)	(1,237)
Impact of discounting provisions and liabilities	(2,494)	(554)
Factoring costs	(729)	(1,460)
Other financial income and expense	(412)	(36)
OTHER FINANCIAL INCOME AND EXPENSE	**(4,063)**	**(3,287)**

Note 29. Income taxes

Income tax expense for the financial years ended December 31, 2007 and 2008 principally comprises the following items:

(In thousands of euros)	12/31/2008	12/31/2007
Current income tax	(1,440)	(14,244)
Current income tax benefit/(expense)	**(1,440)**	**(14,244)**
Arising from the creation and reversal of temporary differences	13,287	51
Related to tax loss carryforwards	(8,747)	(135)
Deferred income tax benefit/(expense)	**4,539**	**(84)**
CONSOLIDATED INCOME TAX EXPENSE	**3,099**	**(14,328)**

The €3.1 million consolidated income tax benefit is mainly due to developments in temporary differences:

- the difference in measurement of the Nordenham plant inventory (LIFO under German GAAP and weighted average unit cost under IFRSs) reduces Weser Metall GmbH's net income by €21.6 million under IFRS, giving rise to a deferred tax benefit of €6.3 million;
- the €17.8 million provision for litigation pending (see note 15) taken in Recylex SA's financial statements is not tax deductible, giving rise to a deferred tax benefit of €5.1 million;
- the €8.7 million income tax expense related to tax loss carryforwards is due to lower than anticipated use of tax loss carryforwards in 2008 and to a decrease in the amount of deferred tax assets recognised in respect of tax losses because of the business outlook.

The reconciliation between the actual tax expense and the theoretical tax expense is as follows for 2007 and 2008:

29.1 Reconciliation between actual income tax expense and the amount theoretically payable

(In thousands of euros)	12/31/2008	12/31/2007
Net income before tax	(52,823)	82,047
Group tax rate	33.33%	33.33%
Theoretical income tax expense	**17,606**	**(27,346)**
Increase or decrease in income tax expense resulting from:		
– use of previously unrecognised tax loss carryforwards and recognition of losses on tax loss carryforwards as assets	(13,470)	11,329
– taxes at reduced rates	(1,303)	1,305
– other differences	266	384
ACTUAL TAX EXPENSE	**3,099**	**(14,328)**

29.2 Deferred tax assets and liabilities

(In thousands of euros)	12/31/2008	12/31/2007
Deferred tax assets		
Provisions added back for tax purposes	15,390	10,677
Additional provision for employee benefits	1,783	2,017
Additional provision for impairment of non-current assets	1,458	903
Change in inventory valuation method at German units	7	142
Other temporary differences	418	
Tax loss carryforwards	4,989	13,736
Offset of deferred tax assets and liabilities at the same taxable entity	(7,380)	(10,597)
TOTAL	**16,665**	**16,878**
Deferred tax liabilities		
Restatement of expected useful life of non-current assets	(6,587)	(7,259)
Change in inventory valuation method at German units	(317)	(7,455)
Discounting of provisions and liabilities	(2,211)	(2,479)
Deferred tax on hedge accounting	(667)	(1,553)
Other temporary differences	(112)	(5)
Offset of deferred tax assets and liabilities at the same taxable entity	7,380	10,597
TOTAL	**(2,515)**	**(8,154)**
Net deferred taxes	**14,150**	**8,724**

For the financial years ended December 31, 2007 and December 31, 2008, the Group opted to limit the amount of deferred tax assets recognised in respect of tax losses to the forecast tax calculated for the following three years. The deferred tax assets arising on tax loss carryforwards recognised by the Group amounted to €13.7 million at December 31, 2007 and €5 million at December 31, 2008.

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

These tax losses amounted to €156 million, i.e.:

- €110 million at French units;
- €46 million at German units.

Note 30. 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

	12/31/2008	12/31/2007
Net income attributable to equity holders of the parent (in thousands of euros)	(49,723)	67,719
Weighted average number of ordinary shares used to calculate basic earnings per share	23,870,376	23,864,801
EARNINGS PER SHARE IN EUROS	**(2.08)**	**2.84**

	12/31/2008	12/31/2007
Net income attributable to equity holders of the parent (in thousands of euros)	(49,723)	67,719
Weighted average number of ordinary shares used to calculate basic earnings per share	23,870,376	23,864,801
Impact of dilution:		
Stock options (with dilutive impact)	431,411	380,381
Weighted average number of ordinary shares adjusted for diluted earnings per share	24,301,787	24,245,182
DILUTED EARNINGS PER SHARE	**(2.08)**	**2.79**

Note 31. Commitments and contingencies

31.1 Commitments under operating leases

The Group has entered into operating leases covering certain motor vehicles, machinery and buildings. The minimum future rental payments due under these operating leases, which may not be terminated, are as follows:

	12/31/2008			12/31/2007		
(In thousands of euros)	Less than 1 year	1 to 5 years	More than 5 years	Less than 1 year	1 to 5 years	More than 5 years
Buildings	581	840		444	101	
Other	886	1,101	122	978	1,139	
TOTAL	**1,467**	**1,941**	**122**	**1,422**	**1,240**	

Expenses incurred under operating leases amounted to €2,101 thousand in 2008 and €1,810 thousand in 2007.

31.2 Commitments under finance leases

The Group holds finance leases that are accounted for in accordance with IAS 17.

The net carrying amount of property, plant and equipment held as assets under finance leases amounted to €845 thousand at December 31, 2008 and €1,090 thousand at December 31, 2007.

Future minimum payments under finance leases and leases with a purchase option can be reconciled with the present value of net future minimum lease payments as follows:

(In thousands of euros)	12/31/2008	12/31/2007
Minimum payments due in less than one year	582	669
Minimum payments due in more than one year but less than five years	993	1,341
Minimum payments due in more than five years	15	11
Total minimum payments under finance leases	**1,590**	**2,021**
Less amounts representing interest expense		
Present value of minimum payments under leases	**1,590**	**2,021**

31.3 Investment commitments

At December 31, 2008, the Group had no investment commitments.

31.4 Commitments arising from the purchase and sale of currency futures

At December 31, 2008, the Group had not entered into any commitments arising from the forward sale or purchase of currencies. Commitments arising from the forward sale or purchase of metals are presented in note 37.

31.5 Commitments given

• The debt waived for Recylex SA under the continuation plan of November 24, 2005, which amounted to €19.2 million, is subject to a clawback provision, the details of which are described in note 19.

• In security for the repayment of a credit line for which the interest and other expenses were not totally paid down, the Company granted a first priority pledge to Glencore International AG, covering all the Recylex GmbH shares held by the Company.

• Land owned by Harz-Metall GmbH was pledged as collateral for a loan arranged by C2P GmbH in a maximum amount of €0.8 million, €0.8 million of which is still outstanding.

• FMM granted a mortgage security on buildings in an amount of €0.8 million and issued a pledge on its business as collateral in an amount of €0.3 million.

• Recylex SA granted a mortgage security interest to the French water agency amounting to €2.2 million covering the land at the Estaque site.

• Weser Metall GmbH and RMO GmbH pledged their trade receivables as collateral for two loans in amounts of €3.5 million and €4.0 million respectively.

• Weser Metall GmbH granted a mortgage security interest on its land to guarantee a loan, in an amount of €4.0 million.

31.6 Litigation and contingent liabilities

See the notes concerning significant events for the 2008 financial year (note 1) and the note on environmental issues (note 39).

Note 32. Information concerning related parties and benefits granted to administrative and management bodies

32.1 Information concerning related parties

	Purchases from		Sales to		Receivables		Liabilities	
(In thousands of euros)	2008	2007	2008	2007	2008	2007	2008	2007
Glencore	19,776	24,760	12,336	80,375	822	3,405	10,374	10,559
Recytech	48	42		0		–	8	16
Maturity								
Less than 1 year		–		–	822	3,405	1,659	934
From 1 to 5 years		–		–		–	5,050	4,591
More than 5 years		–		–		–	3,673	5,050
Impairment of doubtful receivables		–		–		–		–

32.2 Disclosures of the compensation and benefits granted to the Group's administrative and management bodies

Related party transactions comprise the compensation and benefits granted to the Group's senior executives and members of Recylex SA's Board of Directors.

The gross compensation and benefits paid to members of Recylex SA's Board of Directors break down as follows:

(In thousands of euros)	12/31/2008	12/31/2007
Short-term benefits	806	533
TOTAL COMPENSATION AND BENEFITS	**806**	**533**

Yves Roche is entitled to receive compensation should he be relieved of his duties as Chief Executive Officer following a significant change in Recylex SA's ownership structure, with the support of the Board of Directors, provided that Yves Roche has facilitated such change and the transition to the new core shareholder. This compensation amounts to double the compensation and benefits he received pursuant to his appointment as Chief Executive Officer in the financial year preceding cessation of his duties and may not be paid until the Board of Directors has formally acknowledged satisfaction of the performance conditions.

No other post-employment or long-term benefits have been granted to senior executives.

Note 33. Financial risk management

The Group specialises in recycling zinc, lead, plastics and special metals, and is exposed to currency risk, interest rate risk and risks associated with fluctuations in raw material prices. The Group is also exposed to other risks, such as counterparty risk and liquidity risk.

The Group has defined a policy and created a procedural manual in order to measure, manage and control its market risk exposure. This policy prohibits any speculative positions from being established in the market and consists in using derivatives to hedge part of the Group's exposure to currency and commodity risk. Procedures have been put in place at the principal Group companies and will be extended to the smallest Group units.

Financial instruments are traded on the over-the-counter market with a highly rated counterpart. The Group primarily uses futures and options.

Derivatives cover existing and anticipated financial and commercial exposure. Derivative positions are tracked on a fair value basis.

Exposure to currency risk and commodity risk is managed locally by the Group companies concerned, under the control of the Group's finance department.

33.1 Interest-rate risk

The Group's main financial risks are borne by the Recylex SA holding company, Recylex GmbH, Weser Metall GmbH and RMO GmbH. Given the Group's situation, its debt chiefly comprises the rescheduled liabilities under Recylex SA's continuation plan and four loans arranged by Recylex GmbH, Weser Metall GmbH, C2P GmbH and RMO GmbH. The loans contracted by Recylex GmbH and C2P GmbH are fixed-rate, and those taken out by Weser Metall GmbH and RMO GmbH are floating-rate.

Debt incurred under the continuation plan does not bear interest. The Group uses interest-rate derivatives to hedge interest-rate risk on the two floating-rate loans.

33.2 Currency risk

The Group is exposed to currency risk arising from the transactions conducted by its subsidiaries in various currencies other than their functional currency, with some procurement contracts being denominated in dollars. The Group's practice is not to hedge this currency risk.

At December 31, 2008, the Group no longer had any dollar-denominated commodity derivatives hedging euro-denominated sales. All commodity derivatives are now denominated in euros.

33.3 Counterparty risk

The Group is exposed to credit risk in the event that a counterparty fails. The Group's credit risk policy varies from segment to segment.

Credit risk linked to trade receivables

Based on the information at its disposal, the Group does not anticipate any third-party failures that may have a material impact on its financial statements. However, given the current economic and financial situation, which is particularly difficult and uncertain, failures among Group customers cannot be ruled out.

In the lead sector, the Group maintains commercial relationships with a limited number of customers whose financial strength is proven and to which the payment terms granted are very short. However, for reasons set out above relating to the current exceptional economic and financial environment, the Group cannot completely rule out the possibility of failures among its customers.

In the other segments, notably zinc, in which the customer base is fragmented, the Group hedges up to 17% of counterpart risk using specific insurance policies. In addition, outstanding customer balances are constantly monitored, which helps to curb the Group's exposure to payment defaults.

Credit risk linked to cash and cash equivalents and derivatives

Currency and commodity hedges and treasury investments are handled by prime financial institutions. However, given the current situation in the banking sector, which is particularly difficult and uncertain, failures among financial institutions cannot be ruled out.

33.4 Commodities risk

The Group is exposed to fluctuations in metals prices, particularly lead and zinc. Forward contracts for these two metals are listed in dollars on the London Metal Exchange. The Group has no influence on the price of these metals, and is therefore exposed to fluctuations in their value. This exposure derives from sales of metals for which production is based on reused materials (used batteries), the price of which is not directly linked to market prices, and on surplus metals recovered from the materials to be processed.

The Group partially protects itself against the risk of metal price fluctuations (lead and zinc) using derivatives (futures and options).

Hedging of lead and zinc risks was arranged in 2008.

33.5 Liquidity risk

Following the adoption of the continuation plan by the Paris Tribunal de Commerce on November 24, 2005, Recylex SA's debt was rescheduled (see note 18). Pursuant to the continuation plan, the Company has made the first three repayments to its creditors, which amounted to €11.4 million in 2006, €11 million in 2007 and €2.3 million in 2008.

The Company has prepared monthly cash forecasts for 2009 based on the information available to it, notably including outlays linked to the outstanding instalments due to creditors during the 2009 financial year.

The Group's subsidiaries have also submitted their cash flow projections (by cash pool) for 2009.

Taking into account the economic downturn, which has resulted in a fall in metals prices, the Group's cash flow projections are cautious. The Group expects a fall in the cash position, although no short-term financing requirements. This is due in particular to the Group's large cash position at December 31, 2008 and the amount of liabilities to be paid off until 2015 under the Recylex SA continuation plan (€2.7 million per year).

At December 31, 2008, available cash amounted to €77.4 million. This level of cash is compatible with the Group's debt instalments and repayments to creditors under the continuation plan.

Note 34. Financial instruments on the balance sheet

34.1 Analysis of financial instruments by type of instrument

12/31/2008 (In thousands of euros)	Available-for-sale assets	Loans and receivables	Fair value through profit and loss	Hedging derivatives	Debt at amortised cost	Balance sheet value	Fair value
Assets							
Non-current assets							
Non-current financial assets		799				799	799
Non-current derivatives				187		187	187
Other non-current assets		2,953				2,953	2,953
Current assets							
Trade receivables		24,616				24,616	24,616
Current derivatives				2,158		2,158	2,158
Cash and cash equivalents		71,078	6,371			77,450	77,450
Liabilities							
Non-current liabilities							
Non-current interest-bearing borrowings					11,077	11,077	10,801
Other non-current liabilities(1)					14,252	14,252	14,252
Current liabilities							
Current interest-bearing borrowings					4,477	4,477	4,477
Trade payables					16,451	16,451	16,451
Other current financial liabilities(2)					8,015	8,015	8,015

12/31/2007 (In thousands of euros)	Available-for-sale assets	Loans and re-ceivables	Fair value through profit and loss	Hedging derivatives	Debt at amortised cost	Balance sheet value	Fair value
Assets							
Non-current assets							
Non-current financial assets		1,043				1,043	1,043
Non-current derivatives				308		308	308
Current assets							
Trade receivables		53,961				53,961	53,961
Current derivatives				5,120		5,120	5,120
Cash and cash equivalents		73,484	5,678			79,162	79,162
Liabilities							
Non-current liabilities							
Non-current interest-bearing borrowings					12,963	12,963	12,302
Other non-current liabilities(1)					14,853	14,853	14,853
Current liabilities							
Current interest-bearing borrowings					8,874	8,874	8,874
Trade payables					24,200	24,200	24,200
Current derivatives				44		44	44
Other current financial liabilities(2)					7,905	7,905	7,905

(1) Other non-current liabilities solely include liabilities rescheduled under the continuation plan.
(2) Other current liabilities include rescheduled liabilities, amounts due on non-current assets and other current liabilities (note 18).

The fair value of bond issues is calculated by discounting the contractually agreed cash flows at the market interest rate adjusted by the Group's credit spread. The net carrying amount of trade payables and receivables represents a reasonable estimate of their fair value given the Group's short payment periods.

34.2 Net gains and losses by category of instrument and impact on equity

(In thousands of euros)	Recognised in income 12/31/2008	Recognised in income 12/31/2007
Income/expense relating to loans and receivables recognised at amortised cost	(56)	
Foreign exchange gains/(losses) on loans and receivables (note 28)	(395)	(790)
Impairment loss/reversal of impairment loss on loans and receivables	163	854
Foreign exchange gains/(losses) on cash and cash equivalents (note 28)	(24)	(447)
Factoring costs	(729)	(1,460)
Total loans and receivables	**(1,041)**	**(1,843)**
Income from investments held at fair value	2,837	1,732
Investments at fair value through profit or loss(1)	**2,837**	**1,732**
Interest expense on borrowings stated at amortised cost	(934)	(776)
Impact of discounting frozen liabilities (note 28)	(1,260)	(554)
Foreign exchange losses on borrowings at amortised cost (note 28)	(9)	
Total borrowings and debt at amortised cost	**(2,203)**	**(1,330)**
Cash flow hedges: Gains and losses on ineffective portion of hedges recognised in income	0	50
Total hedging derivatives		**50**
Derivatives measured at fair value	(278)	
TOTAL	**(629)**	**(1,391)**

(In thousands of euros)	Recognised in equity 12/31/2008	12/31/2007
Cash flow hedges: change in fair value reflecting the effective portion of the hedge	2,291	5,334

(1) Relates solely to short-term investments.

34.3 Instruments pledged as collateral

The Group has provided the following financial assets as collateral for existing borrowings and credit lines:

Weser Metall GmbH and Reinstmetalle Osterwieck GmbH pledged their trade receivables as collateral for two loans in respective amounts of €4.0 million and €3.5 million.

Note 35. Information concerning credit risk

35.1 Unpaid receivables

12/31/2008 (In thousands of euros)	Balance sheet value	Financial assets neither unpaid nor written off at the balance sheet date	Financial assets unpaid but not written off at the balance sheet date: 0-3 months	3-6 months	Over 6 months	Financial assets written off
Loans	579	412	–	–	167	–
Trade receivables	29,380	13,429	10,845	21	320	4,763
Other receivables	7,889	6,514	–	–	987	388
Other financial assets[1]	150,608	–	–	–	–	150,608
TOTAL	**188,456**	**20,355**	**10,845**	**21**	**1,474**	**155,760**

12/31/2007 (In thousands of euros)	Balance sheet value	Financial assets neither unpaid nor written off at the balance sheet date	Financial assets unpaid but not written off at the balance sheet date: 0-3 months	3-6 months	Over 6 months	Financial assets written off
Loans	826	826	–	–	–	–
Trade receivables	59,197	35,051	17,720	1,176	14	5,236
Other receivables	3,920	1,689	1,775	–	–	456
Other financial assets[1]	150,608	–	–	–	–	150,608
TOTAL	**214,551**	**37,566**	**19,495**	**1,176**	**14**	**156,300**

(1) These represent loans and advances granted to Metaleurop Nord SAS and Penarroya Espagne (see note 6).

Credit risk exposure breaks down as follows:

At December 31, 2008, €11.1 million in trade receivables remained unpaid, but were not written off. Of these receivables, all were less than sixty days past due;

Treasury investments are made solely in the money markets through AAA-rated banks;

€4.3 million of trade receivables in the Zinc segment are covered by specific credit insurance, while trade receivables in other segments are not covered by credit insurance.

35.2 Impairment of loans and receivables

(In thousands of euros)	2008 Loans and other non-current financial assets	2008 Trade receivables	2008 Other current assets	2007 Loans and other non-current financial assets	2007 Trade receivables	2007 Other current assets
Total impairment losses at January 1	244,481	5,236	513	(244,509)	(5,620)	(968)
Increases		111	25	(9)	(130)	
Uses		410	116	0		0
Reversals	59	173	34	37	515	455
Total impairment losses at December 31	**244,422**	**4,764**	**388**	**(244,481)**	**(5,236)**	**(513)**

Impairment losses are recognised only a case-by-case basis.

Note 36. Liquidity risks: outstanding financial liabilities by maturity date

At December 31, 2008, undiscounted contractual cash flows (principal and interest) arising from outstanding financial liabilities break down by maturity date as follows:

(In thousands of euros)	Balance sheet value	Contractual cash flows	2009	2010	2011	2012	2013	> 5 years
Borrowings	15,554	16,277	4,209	2,911	2,546	5,371	634	606
Liabilities rescheduled under the continuation plan	15,966	18,509	1,767	2,203	2,203	2,643	2,643	7,049
Trade payables	16,451	16,451	16,451					
Operating and finance lease commitments		5,100	2,029	801	673	658	656	283
Other current liabilities(1)	6,482	6,482	6,482					
TOTAL	**54,453**	**62,819**	**30,938**	**5,915**	**5,422**	**8,672**	**3,933**	**7,938**

(1) Other current liabilities mainly comprise liabilities related to non-current assets and the put option granted to PPM (note 18). The current portion of the continuation plan is classified under “Rescheduled liabilities”.

The above table shows all the outstanding liabilities at December 31, 2008, for which cash flows have been contractually agreed. It does not include future forecasts and new liabilities. The contractually agreed cash flows may be repaid by the Group at each maturity date.

Note 37. Exposure to market risk and derivatives

37.1 Commodities risk

The Group is exposed to fluctuations in metals prices, particularly lead and zinc. 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 also uses derivatives to reduce its exposure to fluctuations in metal prices related to firm commitments arising from sale contracts which are not recognised on the balance sheet. These derivatives are deemed to be fair value hedges.

Other financial instruments break down as follows:

Fair value (In thousands of euros)	12/31/2008 Current	Non-current	Total	12/31/2007 Total
Assets				
Derivatives (cash flow hedges)	**2,104**	**187**	**2,291**	**5,428**
Derivatives (fair value hedges)	54	–	54	–
Liabilities				
Derivatives (cash flow hedges)	–	–	–	44
Fair value of underlying hedged risk	54	–	54	–

Depending on the type of risk hedged, the Group treats commodity derivatives either as cash flow hedges or fair value hedges.

Fair value hedges

Derivatives used to hedge a recognised asset or liability or a firm commitment are documented as fair value hedges. The effective portion of the change in the fair value of these derivatives is recognised 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
2009 financial year	54	1,119
2010 financial year	–	–
TOTAL	**54**	**1,119**

Cash flow hedges

The maturity of metal derivatives used for cash flow hedging purposes was as follows:

(In thousands of euros)	Market value of derivatives by maturity date	Nominal
2009 financial year	2,104	4,308
2010 financial year	187	392
TOTAL	**2,291**	**4,700**

The hedged cash flows arise during the same periods as those affected by the hedging instruments.

Under IAS 39, the portion of the change in value on the effective portion of derivatives is recognised directly in equity, while the ineffective portion of the change in fair value is recognised in income for the period. Cumulative gains and losses in equity are recycled in income during the same periods that the hedged item affects income.

At December 31, 2008, the amount of unrealised gains and losses recognised in equity over the period amounted to €2,291 thousand (€5,334 thousand at December 31, 2007).

Changes in hedging reserves are shown in the following table:

(In thousands of euros)	12/31/2008	12/31/2007
Amount at January 1	5,334	–
Amount recycled from equity to income	(5,334)	–
Amounts recognised directly in equity	2,291	5,334
Amount before deferred taxes	**2,291**	**5,334**
Deferred taxes	(667)	(1,553)
AMOUNT NET OF TAXES AT THE PERIOD END	**1,624**	**3,781**

The sensitivity analysis was performed based on the status of derivatives at the balance sheet date. The sensitivity analysis was based on a fluctuation of +/–32% in lead prices from the levels at the balance sheet date.

The impact on equity is calculated by applying these variations in lead prices to the nominal amounts of forward instruments documented as cash flow and fair value hedges.

At December 31, 2008, a +/–32% fluctuation in lead prices would have affected equity by –€0.4 million/+€0.4 million.

37.2 Currency risk

The Group is exposed to a limited currency risk arising from the transactions conducted by its subsidiaries in various currencies other than their functional currency. The principal currency to which the Group is exposed is the US dollar. The Group is also exposed to currency risk on commodity derivatives traded in US dollars that are used to hedge sales denominated in euros. The Group's policy is not to hedge this currency risk.

At December 31, 2008, the Group's exposure to currency risk was as follows:

12/31/2008	In thousands of US dollars	In thousands of euros
Non-current financial assets		
Other non-current assets		
Trade receivables	4,389	3,218
Current derivatives		
Other current assets		
Other current financial assets		
Cash and cash equivalents	4,818	3,440
ASSETS	**9,207**	**6,658**
Non-current interest-bearing borrowings		
Other non-current liabilities		
Current interest-bearing borrowings		
Trade payables	1,805	1,242
Derivatives		
Other current financial liabilities		
LIABILITIES	**1,805**	**1,242**

At the balance sheet date, the sensitivity analysis was performed based on the assets and liabilities denominated in US dollars and commodity derivatives denominated in US dollars.

For currency risk, sensitivity reflects the impact of a +/–10% change in the euro-dollar exchange rate from the level at the balance sheet date.

The impact on income is based on the nominal amount of the assets and liabilities (stated in euros), to which a +10% or –10% change in the exchange rate is applied.

At December 31, 2008, a 10% change in the euro-dollar exchange rate would have an impact on income of +€0.7 million should the US dollar appreciate, or –€0.4 million if it were to depreciate.

37.3 Interest-rate risk

The Group's debt mainly consists of rescheduled liabilities resulting from the Recylex SA continuation plan (non-interest-bearing) and floating-rate and fixed-rate debt. To hedge against higher interest charges on floating-rate debt arising from higher interest rates, the Group has contracted two swaps paying fixed rate and receiving floating rate. These derivatives are recognised on the balance sheet at fair value, with changes in fair value taken to income (–€278 thousand in 2008).

At December 31, 2008, with the Group's debt being fixed-rate, the impact of a 1-point increase/decrease in interest rates relates mainly to derivatives recognised at fair value through profit and loss, and amounted to €0.16 million/–€0.18 million.

Note 38. List of consolidated entities at December 31, 2008

	Registered office	Consolidation method	% interest	% control	% interest at 12/31/2007
Recylex SA	**Paris**	**Parent company**	**100.00**	**100.00**	**100.00**
FRANCE					
Recylex Commercial SAS	Paris	FC	100.00	100.00	100.00
C2P SAS	Villefranche-sur-Saône	FC	100.00	100.00	100.00
Delot Métal SAS	Paris	FC	100.00	100.00	100.00
Norzinco SA	Anzin	FC	100.00	100.00	100.00
Recytech SA	Fouquières-lès-Lens	PC	50.00	50.00	50.00
BELGIUM					
Fonderie et Manufacture de Métaux SA	Brussels	FC	100.00	100.00	100.00
GERMANY					
Recylex GmbH	Langelsheim	FC	100.00	100.00	100.00
Weser Metall GmbH	Nordenham	FC	100.00	100.00	100.00
Harz-Metall GmbH	Goslar	FC	100.00	100.00	100.00
C2P GmbH	Goslar	FC	100.00	100.00	100.00
PPM Pure Metals GmbH	Langelsheim	FC	100.00	100.00	100.00
RMO Reinstmetalle Osterwieck GmbH	Osterwieck	FC	100.00	100.00	100.00
Norzinco GmbH	Langelsheim	FC	100.00	100.00	100.00

FC = full consolidation; EM = equity method; PC = proportional consolidation.

Note 39. Note on environmental issues

39.1 Background

The Recylex group, hereinafter referred to as “the Group”, was formed in 1988. It resulted from the merger of the non-ferrous metals division of Germany company Preussag (now TUI) and the French company Peñarroya. In the last ten years, the company has changed its business from being a primary producer of lead and zinc (from ore) to recycling, with almost 70% of lead production coming from recycled material and 100% from zinc materials.

Sites in France

In France, Recylex SA manages, under its direct responsibility, two operational sites, in Villefranche-sur-Saône (Rhône) and Escaudœuvres (Nord), and the closed site at L’Estaque-Marseille (Bouches-du-Rhône). Three other sites are managed by subsidiaries: C2P SAS in Villefranche-sur-Saône and Norzinco SA in Anzin (Nord, classified site under the Seveso Directive) and Recytech SA, in which the Company holds a 50% stake, in Fouquières-lès-Lens (Pas-de-Calais).

The Group is also responsible for the security of seventeen mining concessions, resulting from the past mining activities of Peñarroya.

Sites in Germany and Belgium

Through its subsidiaries, the Group controls seven sites operated under licence: one in Belgium, managed by FMM SA (Brussels); and six in Germany, managed by Weser Metall GmbH in Nordenham (Bremen) which is classified under the Seveso directive, Harz-Metall GmbH, Norzinco GmbH and C2P GmbH in Goslar-Oker, PPM GmbH in Langelsheim and RMO GmbH in Osterwieck (Lower Saxony).

39.2 Environment-related provisions and contingent liabilities

Recylex’s activities are subject to local, national and international regulations relating to the environment and industrial safety. These regulations are constantly changing and impose numerous requirements. As a result, these activities carry a risk that Recylex will be held liable for matters including site clean-up and industrial safety.

In accordance with IFRSs, provisions can only be booked where the Group has a legal, regulatory or contractual obligation to a third party resulting from past events. This obligation may arise from the Group’s practices or public commitments that created a legitimate expectation among the third parties concerned that the Group would assume certain responsibilities, where it is certain or probable that the obligation will lead to an outflow of resources to the third party and where the amount can be reliably estimated and corresponds to the best possible estimate of the commitment.

At end-2008, environmental provisions recognised by the Group totalled €33,126 thousand, covering the present value of all forecastable expenditure based on the required remediation timeframe, which may last until 2021.

The amounts recognised represent the best estimates based on reports and technical studies by independent experts.

Expenses recognised in 2008 totalled €2,412 thousand, covering the cost of surveys and of work to minimise environmental impacts and restore sites, along with the cost of operating long-standing pollution treatment facilities.

The Group cannot rule out the possibility that assumptions used to calculate these provisions will have to be revised. As a result, the Group monitors these provisions to take into account changes in regulations, the interpretation and application of regulations by the authorities, technical, hydrological and geological constraints relating to environmental remediation issues, and the discovery of pollution not currently identified.

In accordance with IFRSs, a contingent liability is identified where:

- a potential obligation results from past events, the existence of which will only be confirmed by the occurrence (or not) of one or more uncertain future events that are not totally under the Group's control;
- a current obligation results from past events but is not recognised because:
  - it is not probable that an outflow of resources representing economic benefits will be necessary to settle the obligation, or because,
  - the amount of the obligation cannot be measured with sufficient reliability.

Environmental provisions and contingent liabilities identified by the Group are discussed below.

39.3 Mining concessions

Provisions set aside as part of the procedure of giving up rights to operate mining concessions

Recylex SA still holds mining concessions on which operations have ceased. Work to rehabilitate these former mining sites and make them safe is taking place under a multi-year plan approved and revised in conjunction with local authorities and government organisations.

In 2008, the assessment of additional work required at several mines led to €1,460 thousand of additional provisions.

The aggregate amount of provisions covering the entire former mining site rehabilitation programme came to €6,217 thousand at December 31, 2008.

At end-2008, Recylex SA had mining rights at 17 concessions, after giving up 12 concessions since 2004.

Monitoring of contingent liabilities relating to former mining sites

With regard to the Saint-Laurent-le-Minier mining site, the French Environment Ministry has launched an epidemiological investigation, at its own expense, to assess the health impact of soil naturally containing lead and zinc, at levels that are equivalent or even higher than the zones polluted by mining activity. The results of this investigation are expected in 2009, and may give rise to requests for additional work.

As regards the Saint-Sébastien-d'Aigrefeuille mining site, in the Gard region, the Administrative Court in 2007 rejected the request to cancel orders of the prefect requiring Recylex SA to secure a former mining waste storage facility. Recylex SA appealed this ruling. Recylex SA could be required to contribute to surveys or work relating to this site.

39.4 Closed sites and former landfill sites

Provisions recognised on sites in France

Estaque

After operations at the L'Estaque facility were discontinued in February 2001, the order of the prefect on December 23, 2002 defined the programme to restore the site, setting post-treatment ground quality targets and defining technical requirements relating to the storage of mining waste. On November 3, 2008, an additional order set the deadline for completing all rehabilitation work as December 31, 2011.

The impact on the local environment was caused by metal mining waste and demolition waste, which will have to be stored in underground storage cells to be built on-site. Rainwater permeates the unprotected former waste facilities and becomes contaminated with toxic elements, including arsenic. The elimination of all surface waste will resolve the transfer of pollution taking place via rainwater.

The aggregate amount of provisions covering the L'Estaque site rehabilitation programme came to €16,577 thousand at December 31, 2008.

Norzinco SA

Norzinco SA began the process of discontinuing its zinc recycling business in October 2008. The discontinuation process began and is being pursued in accordance with the legislation set out in the Environmental Code. A €510 thousand provision has been set aside, mainly to cover rehabilitation work.

Provisions recognised on sites in Germany

Most industrial sites and landfill sites in Germany ceased operations before the merger between Preussag GmbH and Peñarroya SA in 1988. Under German law, an operator remains liable for all the damage caused by an operator, even if it has sold the land to third parties. Accordingly, the majority of the costs of rehabilitating the industrial sites and landfill sites should be borne by Preussag, which has since changed its name to TUI.

The provisions set aside for the German sites correspond to ground and water rehabilitation obligations, particularly relating to former slag heaps and landfill sites for which the Group's German subsidiaries remain responsible. The Group has been notified of these obligations by the local authorities.

The total amount of provisions recognised for the German sites was €11 million at December 31, 2008, including €9.4 million for the Harz Metall site in Goslar-Oker and €1.5 million for the Weser Metal site. These amounts are the best available estimates, based on the technical reports of independent experts.

Harz-Metall GmbH site, Goslar-Oker

For the Harz-Metall site, the Group is responsible for rehabilitating former slag heaps (estimated cost: €7,466 thousand), site surveillance (estimated cost: €1,150 thousand) and rehabilitating abandoned industrial facilities (estimated cost: €609 thousand).

Weser Metall GmbH site

At the Weser Metall site in Nordenham, the €390 thousand provision covers the cost of rehabilitating the former lead facility.

Close to the Weser Metall GmbH are two landfills that ceased operations in 1977 (Rahden) and 1995 (Galing I).

At the Rahden landfill, the local authorities have requested a reduction in the zinc levels in the ground before vegetation can be reintroduced. The Group has arranged monitoring of zinc levels, with an estimated duration of ten years. The total provision, including monitoring costs, was €600 thousand at December 31, 2008.

At the Galing landfill, a €500 thousand provision has been booked to cover monitoring costs, also expected to last ten years.

39.5 Monitoring of contingent liabilities

At the PPM site in Langelsheim, work to ensure the safety of the former slagheap has been completed by the new road. However, the Group cannot rule out the possibility of the local authority requiring additional work. The additional work for which the Group could then be responsible has an estimated cost of €1.1 million, but is not provisioned because there is no current obligation.

39.6 Active sites

In Belgium, where the Group operates a lead smelter via its FMM subsidiary, a site restoration guarantee in the event of closure is being gradually introduced to meet the requirements of IBGE. The full amount of the guarantee, which stands at €1.4 million, has been set aside in the financial statements since 2004.

In the absence of regulatory obligations, no provisions are set aside for the cost of site remediation work that the Group would bear on the closure of active sites.

39.7 Other information

During 2008, Recylex SA was not involved in any legal proceedings leading to fines for non-compliance with its regulatory obligations. Recylex SA was not granted any public environmental funds or subsidies in 2008.

Note 40. Subsequent events

40.1 Recent developments and outlook

Metal prices rose slightly in early 2009, but remain well below average levels seen in recent years.

40.2 Post-balance sheet events

In January and February 2009, lead and zinc prices moved between $1,000 and $1,200 per tonne.

Demand for zinc remained sluggish, and the Group's steelwork particle recycling facilities remained closed for maintenance in the first quarter of 2009.

Given the economic downturn and the slim chances of a recovery in the near term, the Group has postponed all non-essential investment and is seeking to preserve cash, while remaining focused on strict cost controls.

Note 41. Auditors' fees in 2008

	Deloitte				KPMG			
	Amount		%		Amount		%	
(In euros)	2008	2007	2008	2007	2008	2007	2008	2007
Audit								
Recylex SA	142,500	190,500	27%	35%	142,500	223,400	87%	91%
Subsidiaries	381,214	352,225	73%	65%	21,650	23,100	13%	9%
TOTAL	**523,714**	**542,725**	**100%**	**100%**	**164,150**	**246,500**	**100%**	**100%**
Sub-total	**523,714**	**542,725**	**100%**	**100%**	**164,150**	**246,500**	**100%**	**100%**
Other services	–	–	0%	0%	–	–	0%	0%
Sub-total	**–**	**–**	**0%**	**0%**	**–**	**–**	**0%**	**0%**
TOTAL	**523,714**	**542,725**	**100%**	**100%**	**164,150**	**246,500**	**100%**	**100%**

Statutory Auditors' report on the consolidated financial statements

Year ended December 31, 2008

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking users. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2008, on :

- the audit of the accompanying consolidated financial statements of Recylex SA;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

1. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, on a test basis or by selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2008 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to the following matters :

- the change in accounting policies that occurred on January 1, 2008 detailed in notes 2.2 and 20 to the consolidated financial statements regarding the early adoption proposed by IFRS 8 "Operating segments";
- the uncertainties set out in note 1.3 to the consolidated financial statements relating to the two lawsuits initiated in 2006 against the Company and still in progress at year-end:

– in the lawsuit brought by the former not executive employees of Metaleurop Nord SAS, the Industrial Section of the Lens Labour Court handed down its ruling on June 27, 2008 and awarded €30,000 in compensation plus €300 in expenses to each of the 493 plaintiffs in particular on the grounds that Recylex SA was the co-employer of the former employees of Metaleurop Nord SAS. However the court ruled that the compensation, which totalled €14.9 million, should be included as a liability in Recylex SA's continuation plan. Recylex SA has appealed against these rulings and their execution has therefore been suspended. The next hearing before the Douai Appeal Court is due to take place on June 26, 2009. On September 30, 2008, the Management section of the Lens labour tribunal was unable to reach a decision on the claims from 91 former managerial staff of Metaleurop Nord SAS representing a total of €2.8 million. The cases shall be heard again on May 20, 2009 by the Management section of the Lens labour tribunal under the presidency of a judge from Lens District Court.

As at December 31, 2008, the company recorded a provision for the present value of all the damages granted by the Industrial Section of the Lens Labour Court and all the claims filed before the Management Section of the same Labour Court,

– the second lawsuit, brought by the liquidators of Metaleurop Nord SAS claiming the repayment by Recylex SA of €50 million of Metaleurop Nord SAS' liabilities, is pending before the commercial division of the Douai Appeal Court, following the liquidators' appeal against the decision delivered on February 27, 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 November 18, 2008 and invited the parties to bring the matter before the Conseil d'État. Pursuant to the judgment of Douai Appeal Court, on February 12, 2009 Recylex SA applied to the Conseil d'État for a preliminary ruling on legality. The preliminary ruling from the Conseil d'État is awaited before the Douai Appeal Court can rule on both the admissibility or the merits of the case.

  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 provisions in the consolidated financial statements as at December 31, 2008.

  Should the outcome of both lawsuits be unfavourable to Recylex, execution of the continuation plan and going concern could be called into question.

2. Justification of our assessments

The financial crisis that was progressively accompanied by an economic crisis leads to various consequences for companies and in particular regarding their activity and financing. These elements have been considered by your company to assess the going concern basis adopted for the preparation of the consolidated financial statements for year ended December 31, 2008. The very high volatility of the financial markets that remained active, the growing shortage of the transactions on the financial markets that became inactive, as well as the lack of visibility on the future create specific conditions this year for financial statements' preparation, in particular regarding accounting estimates that are required in accordance of accounting standards. These conditions are described in note 2.1. to the consolidated financial statements. We have made our own assessments in this context of uncertainty that we bring to your attention in accordance with the requirements of article L. 823-9 of the French Commercial Code ("Code de commerce").

Going concern

Based on our work and the information you have communicated to date, and as part of our assessment of the accounting policies adopted by your company, we believe that the notes to the consolidated financial statements provide appropriate information regarding the aforementioned uncertainty over the Group's ability to continue as a going concern.

Accounting treatment of debt rescheduling as part of the continuity plan

As part of our assessment of the accounting policies adopted by your company, we verified the appropriateness of the accounting treatment applied to the debt rescheduling with respect to the continuity plan described in note 19 to the consolidated financial statements and the related disclosures.

Provisions

As specified in caption "Provisions" of note 2.4 and note 15 to the consolidated financial statements, your company books provisions to cover various risks. Based on the information available at the time of our audit, we assessed the data and assumptions used; we examined the methods applied in implementing these provisions, as well as the management approval process of these estimates. We ensured that the disclosures relating to the said provisions provided in the notes to the consolidated financial statements at December 31, 2008 were appropriate.

Employee benefits

The methodologies applied for assessing employee benefits are set out in caption "Employee benefit" of note 2.4 and note 16 to the consolidated financial statements. These benefit obligations were reviewed by external actuaries. Our work consisted of assessing the data and assumptions used and verifying that the information disclosed in notes to the consolidated financial statements is appropriate.

Fixed assets depreciation

The methodologies applied for assessing fixed assets depreciation are set out in caption "Impairment of assets" of note 2.4 and note 5 to the consolidated financial statements. Our work consisted of assessing the data and assumptions used and verifying that the information disclosed in notes to the consolidated financial statements is appropriate.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verification

As required by law we have also verified the information relative to the Group, given in the parent company's management report.

Except for the potential effect of the above mentioned information, we have no other matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris-la Défense and Neuilly-sur-Seine, March 19, 2009

The Statutory Auditors

KPMG Audit A division of KPMG SA	Deloitte & Associés
Catherine Porta Partner	Albert Aïdan Partner

Financial statements

Balance sheet

at December 31, 2008

ASSETS (In thousands of euros)	12/31/2008	12/31/2007
Non-current assets		
Intangible assets	3,476	3,476
Amortisation and depreciation	(3,452)	(3,452)
Sub-total	**24**	**24**
Property, plant and equipment	22,153	20,579
Depreciation	(13,188)	(13,016)
Sub-total	**8,965**	**7,563**
Financial assets		
Equity investments	204,165	204,276
• Impairment provisions	(138,392)	(135,043)
Loans and advances to investee companies	155,993	155,688
• Impairment provisions	(155,993)	(150,608)
Loans		
• Impairment provisions		
Other	497	496
• Impairment provisions	(114)	(114)
Sub-total	**66,156**	**74,694**
I – TOTAL NON-CURRENT ASSETS	**75,144**	**82,282**
Current assets		
Inventories and work-in-progress	1,218	5,225
Impairment provisions	(253)	
Sub-total	**965**	**5,225**
Advance payments on orders	987	1,197
Trade receivables	8,649	12,732
• Impairment provisions	(3,357)	(3,392)
Other receivables	4,727	2,050
• Impairment provisions	(1,330)	(56)
Marketable securities	4,267	3,681
• Impairment provisions	(217)	
Cash	26,553	23,486
II – TOTAL CURRENT ASSETS	**41,243**	**44,923**
Prepaid expenses and deferred charges	46	33
Unrealised foreign exchange losses		
III – TOTAL ASSETS	**116,434**	**127,237**

EQUITY AND LIABILITIES (In thousands of euros)	12/31/2008	12/31/2007
Equity		
Share capital	47,916	47,824
Share premiums	783	409
Revaluation reserve	1,480	1,484
Statutory reserve	875	
Regulated reserves		
Other reserves	660	660
Retained earnings	16,625	(7,877)
Special tax-allowable provisions	480	516
Net income for the period	**(22,888)**	**25,377**
I – TOTAL EQUITY	**45,931**	**68,393**
Provisions for contingencies and charges		
Provisions for contingencies	18,394	1,498
Provisions for charges	23,608	23,955
II – TOTAL PROVISIONS	**42,002**	**25,453**
Liabilities		
Financial liabilities		
Bank borrowings	130	143
Other financial liabilities	11,581	12,683
Sub-total	**11,711**	**12,826**
Current liabilities		
Trade payables	4,407	6,802
Tax and employee-related liabilities	1,708	1,950
Liabilities to suppliers of non-current assets		
Other current liabilities	10,676	11,769
III – TOTAL LIABILITIES	**28,502**	**33,347**
Prepaid income		44
Unrealised foreign exchange gains		
IV – TOTAL EQUITY AND LIABILITIES	**116,434**	**127,237**

Income statement

at December 31, 2008

(In thousands of euros)	12/31/2008	12/31/2007
Sales of goods and services	58,604	83,296
Provision reversals	1,137	1,614
Other revenue and change in inventories	(2,793)	1,248
Total revenue	**56,947**	**86,159**
Purchases and change in inventories	(44,051)	(49,843)
Other purchases and external charges	(9,525)	(10,568)
Taxes other than on income	(1,003)	(864)
Staff costs	(2,762)	(2,426)
Amortisation, depreciation and provisions	(3,916)	(3,155)
Operating expenses	**(61,258)**	**(66,855)**
OPERATING INCOME	**(4,311)**	**19,303**
Interest and similar income	7,478	6,773
Provision reversals and expense transfers	59	1,606
Foreign exchange gains		
Financial income	**7,537**	**8,379**
Interest and similar expense		
Provision charge	(9,010)	(893)
Foreign exchange losses		
Financial expense	**(9,010)**	**(893)**
NET FINANCIAL INCOME/(EXPENSE)	**(1,473)**	**7,486**
INCOME BEFORE EXCEPTIONAL ITEMS	**(5,784)**	**26,789**
Net exceptional gains/(losses) on operating activities	(1,231)	(7,126)
Capital gains/(losses)	70	(192)
Net provision reversal/(charge)	(16,097)	5,750
NET EXCEPTIONAL INCOME/(EXPENSE)	**(17,258)**	**(1,568)**
Income before tax	**(23,042)**	**25,221**
Income tax expense	(153)	(156)
NET INCOME	**(22,888)**	**25,377**

Cash flow statement

(In thousands of euros)	12/31/2008	12/31/2007
Net income excluding dividends	(28,727)	19,830
Amortisation and depreciation	872	732
Changes in provisions	26,956	(5,654)
Gains and losses on disposals of non–current assets	(66)	70
OPERATING CASH FLOW	**(966)**	**14,978**
Change in inventories	4,007	(2,681)
Change in trade receivables and payables	(2,171)	5,228
NET CASH FROM OPERATING ACTIVITIES (A)	**870**	**17,525**
Purchases of non-current assets and increase in related receivables		
• Property, plant and equipment and intangible assets	(2,308)	(1,268)
• Financial assets	(309)	(9,099)
Disposals of non-current assets and decrease in related receivables		
• Property, plant and equipment and intangible assets	17	
• Financial assets	199	4,381
Investment grants		
NET CASH (USED IN)/FROM INVESTING ACTIVITIES (B)	**(2,402)**	**(5,987)**
FREE OPERATING CASH FLOW (C = A + B)	**(1,532)**	**11,538**
Capital contributions	462	1,041
Dividends paid		
Dividends received	5,839	5,547
Change in financial liabilities	(1,115)	(9,846)
Change in non-operating assets and liabilities		(138)
NET CASH USED IN FINANCING ACTIVITIES (D)	**5,186**	**(3,396)**
CHANGE IN CASH AND CASH EQUIVALENTS (C + D)	**3,654**	**8,142**

Intermediate income statement balances

(In thousands of euros)	12/31/2008	12/31/2007
Sales of goods		
Cost of goods sold		
Gross income		
Production sold	58,604	83,296
Production held in inventory	(2,839)	1,184
Non-current assets produced for own use		
Total production	**55,765**	**84,480**
Expense transfers	40	11
Purchases of raw materials, consumables and sub-contracting	(43,741)	(52,150)
Change in inventories of raw materials and consumables	(1,168)	1,497
Other expenses	(8,541)	(9,473)
External charges	**(53,451)**	**(60,126)**
ADDED-VALUE	**2,355**	**24,365**
Operating subsidies		41
Taxes other than on income	(1,003)	(864)
Staff costs	(2,762)	(2,426)
EBITDA	**(1,411)**	**21,116**
Provision reversals	1,137	1,614
Other income	5	12
Amortisation, depreciation and provisions	(3,916)	(3,155)
Other expenses	(126)	(285)
OPERATING INCOME	**(4,311)**	**19,303**
Financial income	7,537	8,379
Financial expense	(9,010)	(893)
INCOME BEFORE EXCEPTIONAL ITEMS	**(5,784)**	**26,789**
Exceptional income	2,495	6,719
Exceptional expense	(19,753)	(8,287)
NET EXCEPTIONAL INCOME/(EXPENSE)	**(17,258)**	**(1,568)**
Employee profit-sharing		
Income tax expense	153	156
NET INCOME	**(22,888)**	**25,377**
Gains or losses on asset disposals included in exceptional items:		
Proceeds from asset disposals	215	3
Net book value of assets sold	(149)	(73)
Capital gains or losses	66	(70)

Significant events in 2008 and subsequent events*

Major events

2008 saw a global economic crisis that led to a fall in consumption and thus a collapse in the prices of all commodities, and most notably the prices of lead and zinc. In euro terms, these two metals saw their average prices fall by 25% and 47% respectively compared to 2007. The scale and duration of this crisis beyond December 31, 2008 are difficult to forecast. Recylex expects market conditions to deteriorate in 2009.

Recylex SA's continuation plan

Recylex SA is pursuing the continuation plan approved by the Paris commercial court on November 24, 2005. At December 31, 2008, the outstanding frozen liabilities to be paid off under this plan amounted to some €25 million on a seven-year schedule. The third annual payment under the plan, for a sum of approximately €2 million, was made in November 2008.

The fourth annual payment, due in November 2009, will be around €2 million.

On-going litigation

The lawsuits initiated in 2006 are still in progress. The first was brought against Recylex SA by former employees of Metaleurop Nord SAS and the second was brought by the liquidators of Metaleurop Nord SAS.

Former employees of Metaleurop Nord SAS

- On June 27, 2008, the Industry section of the Lens labour tribunal considered that the Company was co-employer of 493 former non-managerial staff of Metaleurop Nord SAS and awarded each plaintiff damages of €30,000 plus €300 in costs. It also decided that these amounts should be incorporated into the liabilities of the Company's continuation plan, paid off in instalments. The Company has appealed these decisions, thus suspending execution. The next hearing before the Douai Appeal Court is due to take place on June 26, 2009.
- On September 30, 2008, the Management section of the Lens labour tribunal was unable to reach a decision on the claim from 91 former managerial staff of Metaleurop Nord SAS for damages of €30,000 plus €300 in costs, representing a total of €2.8 million. The case was heard again on March 11 2009 by the Management section of the Lens labour tribunal under the presidency of a judge from Lens District Court.

A provision for the total amount claimed by the former employees of Metaleurop Nord SAS, representing approximately € 17.7 million, has been constituted in the financial statements of Recylex SA.

Liquidators of Metaleurop Nord SAS

The liquidators of Metaleurop Nord SAS brought proceedings against the Company for repayment of the liabilities of Metaleurop Nord SAS amounting to €50 million. On February 27, 2007, the commercial division of Béthune Regional Court dismissed the claim, considering that the Company was not the de facto manager of Metaleurop Nord SAS. The liquidators appealed the judgment. 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'État for the following reasons.

The Company had argued that the action for repayment of liabilities 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 the court-supervised procedure to rehabilitate the Company begun on November 13, 2003. The liquidators had asserted the existence of a provision in the regulations dispensing them from doing so. Pursuant to the judgment of Douai Appeal Court, on February 12, 2009, the Company applied to the Conseil d'État for a preliminary ruling on legality. The preliminary ruling from the Conseil d'État is awaited before the Douai Appeal Court can rule on either the admissibility or the merits of the case.

No provision has been made in consolidated accounts or the accounts of Recylex SA against the claim by the liquidators of Metaleurop SAS, given the ruling in favour of Recylex SA of the Béthune Regional Court.

It should be noted that the sums claimed in these cases were not included in the continuation plan approved by the Paris Tribunal de Commerce on November 24, 2005 and that if these claims result in an unfavourable outcome for Recylex SA, the implementation of the continuation plan could be jeopardised.

Subsequent events

Metal prices rose slightly in early 2009, but remain well below average levels seen in recent years.

In January and February 2009, lead prices moved between $1,000 and $1,200 per tonne.

* Note V to the financial statements

Notes to the financial statements

of Recylex SA*

These notes refer to the balance sheet and income statement for the twelve months from January 1 to December 31, 2008. The balance sheet is shown before appropriation of net income (loss) for the period and total assets amount to €116,434,140.45. The income statement shows net loss for the period of €22,888,446.42.

The notes and tables below form an integral part of the financial statements for the twelve months from January 1, 2008 to December 31, 2008.

Amounts shown in the tables are expressed in thousands of euros.

Significant accounting policies

The Company's financial statements have been prepared in accordance with French generally accepted accounting principles (1999 Plan comptable général) and with the provisions of French law. These principles require that the financial statements are prepared prudently on the accrual basis of accounting, and on the assumption that the entity is a going concern.

Given the current high market volatility and the difficulty in gauging the economic outlook, accounting projections used in preparing the 2008 financial statements were based on management's best possible estimates regarding the foreseeable future.

Change in accounting methods and presentation

For the first time, the company is applying CRC regulation 2008-15 of December 4, 2008 relating to the accounting treatment of employee stock option and bonus share plans. This change in method did not have any impact on the 2008 financial statements.

Intangible assets

Software is amortised over its estimated useful life (one to five years).

Property, plant and equipment

Property, plant and equipment is measured at cost (purchase price and transaction costs), with the exception of property, plant and equipment purchased before December 31, 1976, which has been revalued. Depreciation is calculated on a straight-line basis over the estimated useful life of the item concerned, as follows:

- industrial buildings: 20 years;
- residential buildings: 25 or 30 years;
- plant, equipment and tools: 5 to 20 years;
- vehicles: 4 or 5 years;
- furniture and furnishing: 5 to 10 years;
- office and computer equipment: 3 to 5 years.

Impairment charges may be booked for property, plant and equipment if, as a result of adverse events or circumstances arising during the year, their value in use appears to fall sustainably below their net book value.

Value in use is based on the discounted future cash flows expected from these assets, in the context of the economic assumptions and operational forecasts adopted by management.

Non-current financial assets

Financial assets are measured at cost. A provision for impairment is recognised if their fair value falls below cost. The fair value of equity investments is estimated on the basis of several criteria including the Company's share of the underlying net assets, operating risks and the strategic interest of the investment to the Group.

Provisions for impairment are recognised against receivables due from investee companies and loans based on the probability of non-recovery.

Inventories and work-in-progress

Inventories and work-in-progress are measured at average weighted cost (excluding interest on borrowings).

Provisions for impairment are recognised if the net realisable value of inventories at the year end, which is based mainly on metal prices, is lower than the average weighted cost.

Receivables

Receivables are measured at their face value. Provisions for impairment are recognised if their fair value falls below their carrying amount.

Marketable securities

Marketable securities comprise treasury shares measured at cost and short-term investments of excess cash.

A provision for impairment is recognised against treasury shares that are not distributed through a share allotment plan if their market price falls below cost.

A provision is recognised against treasury shares that are distributed through a share allotment plan if their market price preceding the conclusion of the plan is lower than cost.

* Note VI to the financial statements

Bonus share issues

The company applies CRC regulation 2008-15 of December 4, 2008 relating to the accounting treatment of employee stock option and bonus share plans. This regulation states that, as soon as the company decides to allot bonus shares or stock options, it has an obligation to allot shares to its employees. Depending on the allotment arrangements, this obligation may or may not generate a liability or contingent liability. A liability must be recognised if the obligation to allot shares to employees is likely or certain to generate an outflow of resources that is not at least matched by an equivalent consideration. If the outflow of resources is not likely, the obligation meets the definition of a contingent liability. The terms of the bonus share plan implemented in 2008 prompted the company to recognise related liabilities. As a result, a provision was recognised, based on the probable cost of buying the shares, the number of shares to be allotted given staff turnover, and changes in the value of shares and of services provided as consideration. Additions to and releases from provisions and related charges are included in staff costs. The application of this regulation has no effect on previous periods.

Provisions for contingencies and charges

Provisions for contingencies and charges are measured in accordance with CRC standard 2000-06 of December 7, 2000 on liabilities. They mainly concern site remediation work, indemnities and allowances payable to employees under the early retirement plan for the mining industry, pensions, end-of-career allowances, long-service awards and other miscellaneous risks.

Provisions for end-of-career allowances and long-service awards are determined on the basis of length of service and the probability of the employee being employed by the Company upon retirement. They are calculated using the projected unit credit method, based on projected future salaries and benefits.

The discount rate is based on the Bloomberg Corporate AA ten-year index at October 15, 2008. This discount rate was maintained at December 31, 2008, despite the decline in the Bloomberg rate to 5.1%, taking into account market rates for euro-zone bonds with maturities of over ten years, which were between 5% and 5.6% at December 31, 2008.

Provisions are recognised for identified risks at sites in operation, whenever there is a legal or regulatory obligation. Provisions for site remediation are recognised in respect of abandoned sites, in accordance with the legal requirements. The provisions set aside to cover these risks are assessed on the basis of the Company's mining and metalworking experience and on external cost estimates, where these are available.

Translation adjustments

Expenses and income denominated in foreign currency are translated at the rate prevailing on the transaction date. Liabilities, assets and cash are translated at the year-end rate. Any resulting exchange differences are recognised in the balance sheet under the heading "Translation adjustments". Unrealised foreign exchange losses are provided for in full.

Notes to the balance sheet

Note 1. Property, plant and equipment and intangible assets

The carrying amount of property, plant and equipment and intangible assets increase by €1,402 thousand.

Capital expenditure for the year, on the Villefranche and Escaudœuvres plants, amounted to €2,084 thousand. Investment in the Suresnes operation amounted to €224 thousand. Asset disposals and retirements amounted to €36 thousand net, comprising a gross value of €735 thousand less €699 thousand in accumulated depreciation.

Gross

(In thousands of euros)	Gross at 01/01/08	Increases Acquisitions Production	Decreases Disposals Retirements	Inter-item transfers	Gross at 12/31/2008
Intangible assets	3,476		1		**3,476**
Land	3,172	58	3	(3)	**3,224**
Buildings	8,079	921	92	44	**8,953**
Plant, equipment & tools	7,130	524	546	78	**7,185**
Other	2,065	573	94	8	**2,553**
Property, plant and equipment in progress	133	232		(127)	**239**
Advance payments					
TOTAL	**24,055**	**2,308**	**735**	**0**	**25,629**

Statement of amortisation, depreciation and provisions

(In thousands of euros)	Accumulated amortisation, depreciation and provisions for impairment at 01/01/08	Amortisation and depreciation Increases Straight-line charge for the period	Amortisation and depreciation Decreases Disposals and retirements	Amortisation and depreciation Inter-item transfers	Impairment provisions Increases Charge	Impairment provisions Decreases Reversal	Accumulated amortisation, depreciation and provisions for impairment at 12/31/2008
Intangible assets	3,452						**3,452**
Land	767	20	3	(1)			**783**
Buildings	6,060	296	92	1			**6,265**
Plant, equipment & tools	5,206	316	533				**4,989**
Other	982	240	71				**1,151**
TOTAL	**16,468**	**872**	**699**	**0**	**0**	**0**	**16,640**

Note 2. Non-current financial assets

The net value of financial assets fell by €8,538 thousand, due principally to:

– provision charge against Delot Metal SA shares for an amount of €3,408 thousand;

– provision charge against the Delot Metal SA loan for an amount of €4,203 thousand;

– provision charge against the Norzinco SA loan for an amount of €1,183 thousand;

– increase in the receivable due from Delot Metal SA for an amount of €228 thousand.

Gross

(In thousands of euros)	Gross at 01/01/2008	Increases Acquisitions	Decreases Disposals	Gross at 12/31/2008	Maturity Under one year	Maturity Over one year
Equity investments	204,276	1	112	**204,165**		204,165
Loans and advances to investee companies	155,688	305		**155,993**		155,993
Other long-term securities	126			**126**		126
Loans						
Other	369	2	1	**371**		371
TOTAL	**360,460**	**309**	**113**	**360,655**		**360,655**

Impairment provisions

(In thousands of euros)	Provisions at 01/01/2008	Increases Charge to financial provisions in the period	Increases Charge to exceptional provisions in the period	Decreases Reversal of financial provisions in the period	Decreases Reversal of exceptional provisions in the period	Provisions at 12/31/2008
Equity investments	135,043	3,408		59		**138,392**
Loans and advances to investee companies	150,608	5,385				**155,993**
Other long-term securities	114					**114**
TOTAL	**285,765**	**8,793**		**59**		**294,499**

Value of property, plant and equipment and financial assets revalued in 1976

(In thousands of euros)	Revalued depreciation at 12/31/2008						
	Revalued non-current assets		Depreciation margin used			Special provision or revaluation reserve at 12/31/2008	Depreciation margin used for assets sold during the period
	Gross value	Of which increase in value	Amount	During the period	Cumulative		
I – Property, plant and equipment							
1) Depreciable							
Revalued							
Land	121	29	121		29		
Buildings	3,560	1,230	3,560		1,230		
Plant, equipment & tools	390	65	390		65		
Other	15	3	15		3		
Sub-total	**4,086**	**1,328**	**4,086**	**0**	**1,328**	**0**	**0**
Not revalued	15,820		9,102				
Impairment losses							
2) Non depreciable							
Revalued land	1,793	1,480				1,480	0
Not revalued	454						
TOTAL	**22,153**	**2,808**	**13,188**	**0**	**1,328**	**1,480**	**0**
II – Non-current financial assets							
Equity investments							
Revalued	33,872	9,940			9,940		0
Not revalued	170,293						
Sub-total	**204,165**	**9,940**	**0**	**0**	**9,940**	**0**	
Other long-term securities							
Not revalued	126						
TOTAL	**204,291**	**9,940**	**0**	**0**	**9,940**	**0**	

Note 3. Inventories and work-in-progress

(In thousands of euros)	12/31/2008	12/31/2007
Raw materials and other supplies	482	1,650
Finished and semi-finished goods	736	3,575
TOTAL	**1,218**	**5,225**
Impairment provisions	253	
NET TOTAL	**965**	**5,225**

The decrease in inventories of raw materials and finished goods was mainly due to a decrease in volumes of batteries purchased in late December, together with lower prices.

Inventories of finished goods were written down to realisable value.

Note 4. Current assets and prepaid expenses

(In thousands of euros)	12/31/2007 Gross amount	12/31/2008 Gross amount	Maturity of assets Under one year	Over one year
Current assets				
Trade receivables	12,732	8,649	8,649	
Other receivables[(1)]	3,247	5,713	5,713	
Prepaid expenses	33	46	46	
TOTAL	**16,012**	**14,408**	**14,408**	

(1) Including €987 thousand in advance payments on orders.

Note 5. Loans and advances to officers and directors

None.

Note 6. Share capital

Share capital and share premiums

At December 31, 2008, the share capital comprised 23,957,982 fully paid-up shares each with a par value of €2.

At December 31, 2008, there were no employee share ownership or other similar plans.

	Number of shares	Nominal value (€)
Ordinary shares at December 31, 2007	23,911,982	2.00
Ordinary shares at December 31, 2008	23,957,982	2.00

Ordinary shares in issue and fully paid-up	Number of shares	Nominal value €	Share capital (In thousands of euros)	Share premiums (In thousands of euros)
At January 1, 2008	23,911,982	2.00	47,824	409
Issuance of shares following exercise of stock options between January 1, 2008 and December 31, 2008	46,000	2.00	92	374
AT DECEMBER 31, 2008	**23,957,982**	**2.00**	**47,916**	**783**

The share capital was increased from €47,824 thousand to €47,916 thousand through the issuance of 46,000 new shares between January 1, 2008 and December 31, 2008 following the exercise of stock options.

Treasury shares

	12/31/2008	12/31/2007
Number of treasury shares	73,939	73,939
Value of treasury shares held (In thousands of euros)	287	504

The Company holds 73,939 treasury shares, acquired between September 2000 and June 2001 as part of a share buyback programme authorised by the Annual General Meeting of March 30, 2000. Their average purchase price was €6.81.

The General Meetings of July 16, 2007 and May 6, 2008 authorised the Board of Directors to allocate, in one or more sections, existing 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 company officers of the Company and/or related companies as defined in article L. 225-197-2 of the French Commercial Code.

Free share allocations

On September 26, 2008, in accordance with the authorisation given by shareholders in the Annual General Meeting, the Board of Directors of Recylex SA introduced a plan to allocate 50,000 free shares, with a view to the beneficiaries participating in the performance of the Group through the increase in value of the free Recylex shares allocated to them. These shares will be vested in the beneficiaries after two years (September 26, 2010) for beneficiaries residing in France and four years (September 26, 2012) for beneficiaries residing in Germany, provided that they remain in employment with a Group company, unless otherwise provided for by the plan. Shares vested in beneficiaries residing in France must be held for a minimum period of two years after vesting (to September 26, 2012).

		Contractual residual life	
	Number of shares	France	Germany
Balance at December 31, 2007			
– allotted	50,000	1.75	3.79
– cancelled			
– exercised			
Balance at December 31, 2008	**50,000**	**1.75**	**3.79**

The 50,000 treasury shares allotted to Group members as part of the free share allocation plan introduced by the Board of Directors on September 26, 2008 were written down in line with the Recylex share price on the date that beneficiaries were notified of the plan. The impairment charge was €116,787.84. The 23,939 treasury shares remaining were written down on the basis of the average Recylex share price in December 2008, i.e. €2.63. The impairment charge relating to these shares was €100,126.22.

Stock options

Details of existing plans

At the Annual General Meetings of June 26, 1995 and March 30, 2000, shareholders authorised the introduction of stock option plans relating to 5% and 6% of the share capital respectively. Between 1998 and 2002, the Management Board granted stock options under these authorisations. On September 26, 2008, the Board of Directors allotted stock options to certain Group members, in accordance with the authorisation given by shareholders in the Annual General Meeting of July 28, 2006, relating to 3% of the share capital. Under the 2008 stock option plan, 50% of rights will vest at the end of a four-year vesting period following the date of the Board meeting, and 50% at the end of a five-year vesting period following the date of the Board meeting, subject to the beneficiary still being an employee of a Group company (i.e. Recylex SA or a company in which it owns at least 50% of the voting rights or capital) on the vesting date, unless otherwise provided for by the plan.

Options granted by the Management Board or Board of Directors	04/23/1998	04/26/1998	05/03/2000	09/20/2002	09/26/2008	Total
Number of options granted	361,000	544,500	253,900	273,650	540,000	1,973,050
Number of options outstanding at 12/31/2007	81,400	119,000	64,900	67,900	–	333,200
Option rights reinstated during 2008						
Number of options exercised in 2008	46,000					46,000
Number of options lapsed at 12/31/2008	35,400					35,400
Number of options outstanding at 12/31/2008						
(representing a total of 3.3% of the share capital)	–	119,000	64,900	67,900	540,000	791,800
Number of options exercisable at 12/31/2008	–	119,000	64,900	67,900		251,800
Number of optionees at inception	–	104	94	96	47	
Number of optionees at 12/31/2008	–	21	24	28	47	
Exercise price (€)	10.13	5.30	7.50	2.21	5.70	
Exercise date						
Earliest	04/23/2003	04/26/2004	05/03/2004	09/20/2006	09/26/2012 (50%) 09/26/2013 (50%)	
Latest	04/22/2008	04/25/2009	05/02/2010	09/19/2012	09/25/2018	

At December 31, 2008, the maximum number of shares to be created is 251,800, after deducting stock options not yet vested at that date and options allotted to employees who have left the Group and whose options have therefore lapsed.

Statement of changes in equity

Changes in equity:

(In thousands of euros)	12/31/2008	12/31/2007
1. Equity at the previous year's close before appropriation of earnings	43,016	28,231
2. Transfer of previous years' earnings to retained earnings	25,377	13,711
Opening equity	**68,393**	**41,942**
Changes during the period:		
Change in share capital	92	(42,641)
Change in share premiums, reserves and retained earnings		
– Reduction		(10,170)
– Increase	374	53,852
Charge to provision for excess tax depreciation	(36)	33
Investment grants		
Reversal of revaluation reserve	(4)	
Reversal of special revaluation provision		
Closing equity before net income for the period	**68,819**	**43,016**
NET INCOME/LOSS FOR THE PERIOD	**(22,888)**	**25,377**
Closing equity including net income but before appropriation	**45,931**	**68,393**

Accounting impact of instruments allotted in 2008

The charge related to the allotment of free shares, prorated according to beneficiaries' length of service within the Group during 2008, was €21,254.

The share price used to value shares as the basis for the 10% social security levy was €5.02.

Diluted earnings per share

	12/31/2008	12/31/2007
Net income attributable to holders of ordinary shares	(22,888,446)	25,377,093
Weighted average number of ordinary shares used to calculate basic earnings per share	23,957,982	23,864,801
Impact of dilution:		
Stock options	791,800	380,381
Weighted average number of ordinary shares adjusted to calculate diluted earnings per share	24,749,782	24,245,182
DILUTED EARNINGS PER SHARE	**(0.92)**	**1.05**

Ownership structure

As required by article L 233-13 of the French Commercial Code, the table below shows those shareholders owning over 5% of the Company's share capital and the associated voting rights at December 31, 2008:

	At 12/31/2008	
	Shares	Exercisable voting rights
GLENCORE	32.16%	32.22%
Free float	67.54%	67.78%
Own shares	0.3%	–

In a letter dated August 25, 2008, Amiral Gestion SA, acting on behalf of the funds that it manages, stated that its stake had risen above the 5% disclosure threshold in terms of capital and voting rights on August 19, 2008, and that it owned 6.46% of the shares and voting rights on behalf of these funds.

Share performance

	2008	2007
High	17.33	32.44
Low	2.05	8.70
Share price on the closing date	2.49	15.49
MARKET CAPITALISATION ON THE CLOSING DATE (In millions of euros)	**59.7**	**370.4**

During 2008, the shares touched a low of €2.05 on December 23, 2008 and a high of €17.33 on February 25, 2008.

Note 7. Provisions (other than against non-current assets)

Provisions for contingencies and charges increased by €16,549 thousand and impairment provisions increased by €1,456 thousand in 2008.

Statement of provisions

(In thousands of euros)	Provisions at 12/31/2007	Increases: Charge for the period	Decreases: Reversals during the period – Utilised	Decreases: Reversals during the period – Not utilised	Reclassifications during the period	Provisions at 12/31/2008
Provisions for contingencies and charges						
Environmental costs	22,954	1,724	1,879			22,799
Restructuring of industrial sites	511		70	84		356
Pension liabilities	401	37	85			352
Other	1,588	17,863	318	638		18,494
Sub-total	**25,453**	**19,624**	**2,353**	**722**		**42,002**
Provisions for impairment						
Trade receivables	3,392		35			3,357
Other	56	1,747				1,803
Sub-total	**3,449**	**1,747**	**35**			**5,160**
TOTAL	**28,902**	**21,371**	**2,387**	**722**		**47,164**
Provision charges and reversals						
– Operating provisions		3,048	1,137			
– Financial provisions		217				
– Exceptional provisions		18,106	1,250	722		

The increase in provisions for contingencies and charges was mainly due to the decision by the Lens labour tribunal, which found that Recylex SA was a co-employer of former Metaleurop Nord SAS employees. A provision of €17,726 thousand was set aside. The increase in impairment provisions was mainly due to a €1,249 thousand write-down on the Norzinco SA loan.

At December 31, 2008, to the best of our knowledge, Recylex SA was not involved in any other legal proceedings, the impact of which has not been assessed.

Note 8. Liabilities

Financial liabilities fell by €1.115 million, mainly as a result of the third dividend payment under the continuation plan.

Statement of liabilities

	Maturity of liabilities							
	Due date							
(In thousands of euros)	12/31/2007 Amount	12/31/2008 Amount	Under one year	One to five years	Over five years	Of which collateralised liabilities(1)	Of which accrued expenses	Of which liabilities rescheduled under the continuation plan
Financial liabilities								
Bank borrowings								
– Under two years at inception								
– Over two years at inception	143	130	12	68	50			130
Other borrowings and financial liabilities	12,683	11,581	1,103	6,066	4,412	1,963		11,581
TOTAL	**12,826**	**11,711**	**1,115**	**6,134**	**4,461**	**1,963**		**11,711**
Operating liabilities								
Trade payables	6,802	4,407	3,365	603	439		2,375	1,156
Tax and employee-related liabilities	1,950	1,708	972	426	310		585	813
Liabilities to suppliers of non-current assets								
Other liabilities	11,813	10,676	1,245	5,460	3,971			10,424
TOTAL	**20,565**	**16,791**	**5,582**	**6,489**	**4,720**		**2,959**	**12,394**

(1) See note 16 for information on collateral.

At December 31, 2008, “Other liabilities” did not include any prepaid income.

Note 9. Information relating to several balance sheet items

(In thousands of euros)	Total	Concerning related companies	Liabilities or assets represented by trade bills
Assets **(net of any recognised provisions)**			
Equity investments	65,773	60,704	
Loans and advances to investee companies(1)			
Loans			
Other long-term securities	12		
Other non-current financial assets	371		
Advance payments on orders	987		
Trade receivables(2)	5,291	4,987	
Other receivables	3,396	2,884	
Marketable securities	4,050		
Cash	26,553		
Liabilities			
Bond issue			
Bank borrowings	130		
Other financial liabilities	11,581		
Trade payables	4,407	316	
Tax and employee-related liabilities	1,708		
Amounts due to suppliers of non-current assets			
Other liabilities(3)	10,676	5,356	

(1) Including accrued income: 0.
(2) Including accrued income: €60 thousand.
(3) Including prepaid income: 0.

Notes to the income statement

Note 10. Sales

Sales break down as follows:

(In thousands of euros)	2008	2007
By business segment		
Production plants	56,688	83,001
Wholesaling		
Other	1,916	296
TOTAL	**58,604**	**83,296**

(In thousands of euros)	2008	2007
By geographical segment		
France	2,831	2,432
International	55,772	80,864
TOTAL	**58,604**	**83,296**

Note 11. Directors' fees

Directors' fees allocated by the Company to members of the Board of Directors: €508,041.

Note 12. Exceptional income and expense

The exceptional loss of €17,258 thousand mainly comprises:

– a €17,726 thousand addition to provisions for contingencies and charges following the decision by the Lens labour tribunal;

– an exceptional release of €1,213 thousand, mainly relating to work on the l'Estaque site;

– a definitive exceptional charge of €306 thousand relating to risks arising from labour disputes at the l'Estaque site. Since provisions of €589 thousand had been set aside for these risks, €283 thousand was released.

(In thousands of euros)	2008	2007
Net exceptional gains on operating activities	(1,231)	(7,126)
TOTAL	**(1,231)**	**(7,126)**
Capital gains/losses		
– Disposal of equity investments and other long-term securities	85	(59)
– Disposal of property, plant and equipment and intangible assets	(19)	(11)
– Other	4	(122)
TOTAL	**70**	**(192)**
Net provision charge/reversal		
– Excess tax depreciation, special provision and revaluation reserve	(4)	(33)
– Provisions for securities and other risks	(16,094)	5,783
– Provisions for impairment of advances and trade receivables		
TOTAL	**(16,097)**	**5,750**
NET EXCEPTIONAL INCOME/(EXPENSE)	**(17,258)**	**(1,568)**

Note 13. Transaction costs included in purchases

Purchases of raw materials include transportation, transportation insurance and freight commission expenses in the sum of €2,338 thousand.

Note 14. Financial income and expense concerning related companies

(In thousands of euros)	Total	Concerning related companies
Financial income		
From equity investments	5,839	839
From other securities and non-current receivables	378	378
Other interest and similar income	1,261	17
Foreign exchange gains		
Provision reversals	59	
TOTAL	**7,537**	**1,235**
Financial expense		
Provision charges	9,010	9,010
Interest and similar expense		
Foreign exchange losses		
TOTAL	**9,010**	**9,010**

Other informations

Note 15. Employees

	Unskilled	Clerical, technical and supervisory	Management	Total 2008	Total 2007
Employees of the Company					
– Full presence throughout the year	10	13	7	30	28
– Presence for less than the full year	2	2	2	6	2
TOTAL	**12**	**15**	**9**	**36**	**30**

At January 1, 2009, these employees had accumulated a total of 2,078.78 hours of continuous training rights (DIF). No training in respect of those rights was claimed in 2008.

Note 16. Other off-balance sheet commitments

Commitments given

(In thousands of euros)	12/31/2008	12/31/2007
Guarantees and similar	1,963	2,150
Forward currency purchases and sales	–	–
TOTAL	**1,963**	**2,150**

Commitments received

(In thousands of euros)	12/31/2008	12/31/2007
Guarantees and similar	–	–
Forward currency purchases and sales	–	–
TOTAL	**0**	**0**

The mortgage over the l'Estaque land granted to the French Water Agency was maintained under the continuation plan. On the date of this report, the amount of debts waived under option "1" with clawback provision amounted to €19,210 thousand.

Recylex undertook not to request the repayment of its loans, and to make every effort to ensure that Norzinco SA has enough cash to meet its commitments until its activities have been fully discontinued.

Note 17. Leasing

There were no leasing contracts outstanding at the year end.

Note 18. Deferred tax assets and liabilities

Temporary differences between tax treatment and accounting treatment

(In thousands of euros)	Amount
– Deferred tax liabilities:	
Excess tax depreciation on property, plant and equipment and intangible assets	(480)
– Deferred tax assets:	
Provisions not deductible in the year of recognition:	
– Provision for long-service awards	79
– Provision for staff indemnities and allowances	356
– Provision for various charges	20,453
– Provision for bonus share allotments	6
– Provision for various contingencies	17,908
– Provision for impairment of non-current financial assets	
– Provision for loans and advances to investee companies and other non-current financial assets	294,499
– Provision for Group account receivables	1,249
Accrued expenses not deductible in the year of recognition	99
TOTAL	**334,169**

Recylex SA tax loss carryforwards

At 33.33%	– Deferred depreciation allowances	
At 19%	– Long-term capital losses	

Deficits of the entire tax consolidation group

	– Evergreen tax loss carryforwards	109,555
At 8%	– Long-term capital losses	

Note 19. Group tax relief

On October 1, 1994, the Company elected for Group tax relief. To include Norzinco SA (100% owned by Delot Metal SAS) within the tax consolidation Group from January 1, 2008, the Company signed an updated tax consolidation agreement with its C2P SAS, Recylex Commercial SAS, Delot Metal SAS subsidiaries and Norzinco SA, replacing the previous agreements whose purpose was to regulate the distribution of tax charges within the tax consolidation Group headed by the Company. In 2008, the tax consolidation Group included the following subsidiaries: Recylex Commercial SAS, C2P SAS, Delot Metal SAS and Norzinco SA. The tax expense attributable to each subsidiary is calculated at standard tax rates to ensure that the Group tax relief rules are neutral for the subsidiary.

Note 20. List of subsidiaries and equity investments at December 31, 2008

(In thousands of euros)	Share capital	Other equity	% interest
1. Subsidiaries (interest of more than 50%)			
Metaleurop Nord SAS, France (in liquidation)	16,769	N/A	100.00
Recylex Commercial SAS, France	152	27	100.00
C2P SAS, France	900	2,590	100.00
Delot Metal SAS, France	999	(5,210)	100.00
Recylex GmbH, Germany	25,565	20,654	100.00
Fonderie et Manufacture de Métaux SA, Belgium	475	3,158	100.00
2. Equity investments (50% interest)			
RECYTECH SA, FRANCE	6,240	11,332	50.00
3. Aggregate data for other subsidiaries and equity investments			
– Subsidiaries			
– Equity investments			

Note 21. Liabilities rescheduled under the continuation plan

Following Recylex SA's filing for insolvency on October 21, 2003 and the commencement of administration proceedings on November 13, 2003, the Company's outstanding liabilities were frozen at that date.

In 2005, following the continuation plan agreed by the Paris Tribunal de Commerce, these liabilities were rescheduled in accordance with the two options set out in the continuation plan :

• **Option 1 :** Repayment of 50% of the liability, without interest, over a two-year period, with 25% due on the first anniversary date of adoption of the continuation plan and 25% on the second anniversary date of adoption of the continuation plan. Waiver of the remainder of the liability subject to a clawback provision. This clause provides that from and including December 31, 2015, the Company will allocate 20% of its cash at December 31 of each financial year to repayment of the waived debt on a pari passu basis between the creditors who have requested the clawback provision, with no limit on the duration of such repayments;

• **Option 2 :** Repayment of 100% of the liability, without interest over a ten-year period :

– 4% of the liability on the 1st anniversary date of adoption of the continuation plan,

– 4% of the liability on the 2nd anniversary date of adoption of the continuation plan,

– 8% of the liability on the 3rd anniversary date of adoption of the continuation plan,

– 8% of the liability on the 4th anniversary date of adoption of the continuation plan,

– 10% of the liability on the 5th anniversary date of adoption of the continuation plan,

– 10% of the liability on the 6th anniversary date of adoption of the continuation plan,

– 12% of the liability on the 7th anniversary date of adoption of the continuation plan,

– 12% of the liability on the 8th anniversary date of adoption of the continuation plan,

– 16% of the liability on the 9th anniversary date of adoption of the continuation plan,

– 16% of the liability on the 10th anniversary date of adoption of the continuation plan.

Net book value of interest		Loans and advances granted by the Company					
Gross	Net	Gross	Net	Guarantees given by the Company	Revenue in the latest financial year	Earnings (income or loss) in the latest financial year	Dividends received by the Company
59,511	0	130,254	0		N/A	N/A	
152	152	0	0		377	11	239
1,708	1,708	0	0		10,817	298	
44,756	0	4,203	0		0	(7,619)	
56,976	56,976	0	0		1,063	3,119	
1,867	1,867	0	0		19,875	(321)	600
4,865	4,865	0	0		19,090	1,554	5,000
34,125	0	21,537	0				
205	205	0	0				

Balance sheet analysis of liabilities rescheduled under the continuation plan:

Analysis of rescheduled liabilities (In thousands of euros)	12/31/2008	12/31/2007
Provisions for contingencies and charges	587	486
Bank borrowings	130	143
Miscellaneous financial liabilities (including accrued interest)	11,581	12,683
Trade payables	1,156	1,265
Tax and employee-related liabilities	813	891
Miscellaneous liabilities	10,424	11,517
Liabilities rescheduled under the continuation plan	24,691	26,985

Analysis by maturity of liabilities rescheduled under the continuation plan:

Rescheduled liabilities (by maturity) (In thousands of euros)	December 31, 2008			
	Under one year	1 to 5 years	Over 5 years	Total
Rescheduled liabilities	2,441	12,882	9,368	24,691

Note 22. Environmental information

Background

In France, Recylex SA directly operates two operational facilities in Villefranche-sur-Saône (Rhône), and Escaudoeuvres (Nord), and the closed site at l'Estaque-Marseille (Bouches-du-Rhône). Three other sites are managed by subsidiaries, i.e. Villefranche-sur-Saône by C2P SAS, Anzin by Norzinco SA (Nord region, Seveso-classified site), and Fouquières-lès-Lens (Pas-de-Calais) by 50%-owned subsidiary Recytech SA.

Formed in 1988 from the merger between Société Minière et Métallurgique de Penarroya (SMMP) and the non-ferrous metals division of German group Preussag, the Group assumed responsibility for thirty or so mining concessions in France, two of which were still being operated at the time. Recylex defined a programme of securing its mining concessions, which was validated and kept updated with the French Industry Ministry and local authorities.

At December 31, 2008, the Group was still responsible for securing 17 concessions.

Environment-related provisions and contingent liabilities

Recylex's activities are subject to local, national and international regulations relating to the environment and industrial safety. These regulations are constantly changing and impose numerous requirements. As a result, these activities carry a risk that Recylex will be held liable for matters including site clean-up and industrial safety.

Provisions are recognised for identified risks at sites in operation, whenever there is a legal or regulatory obligation. Provisions for site remediation are recognised in respect of abandoned sites, in accordance with the legal requirements. The provisions set aside to cover these risks are assessed on the basis of the Company's mining and metalworking experience and on external cost estimates, where these are available.

At end-2008, environmental provisions recognised by the Company totalled €22,799 thousand, covering all forecastable expenditure based on the required remediation timeframe, which may last until 2011.

The amounts recognised represent the best estimates based on reports and technical studies by independent experts.

Expenses recognised in 2008 totalled €2,412 thousand, covering the cost of surveys and of work to minimise environmental impacts and restore sites, along with the cost of operating long-standing pollution treatment facilities.

The Group cannot rule out the possibility that assumptions used to calculate these provisions will have to be revised. As a result, the Group monitors these provisions to take into account changes in regulations, the interpretation and application of regulations by the authorities, technical, hydrological and geological constraints relating to environmental remediation issues, and the discovery of pollution not currently identified.

Environmental provisions and contingent liabilities identified by the Group are discussed below.

Mining concessions

Provisions set aside as part of the procedure of giving up rights to operate mining concessions

Recylex SA still holds mining concessions on which operations have ceased. Work to rehabilitate these former mining sites and make them safe is taking place under a multi-year plan approved and revised in conjunction with local authorities and government organisations.

In 2008, the assessment of additional work required at several mines led to €1,460 thousand of additional provisions.

The aggregate amount of provisions covering the entire former mining site rehabilitation programme came to €6,217 thousand at December 31, 2008.

At end-2008, Recylex SA had mining rights at 17 concessions, after giving up 12 concessions since 2004.

Monitoring of contingent liabilities relating to former mining sites

With regard to the Saint-Laurent-le-Minier mining site, the French Environment Ministry has launched an epidemiological investigation, at its own expense, to assess the health impact of soil naturally containing lead and zinc, at levels that are equivalent or even higher than the zones polluted by mining activity. The results of this investigation are expected in 2009, and may give rise to requests for additional work.

As regards the Saint-Sébastien-d'Aigrefeuille mining site in the Gard region, the Administrative Court in 2007 rejected the request to cancel orders of the prefect requiring Recylex SA to secure a former mining waste storage facility. Recylex SA appealed this ruling. Recylex SA could be required to contribute to surveys or work relating to this site.

Closed sites

L'Estaque

After operations at the l'Estaque facility were discontinued in February 2001, the order of the prefect on December 23, 2002 defined the programme to restore the site, setting post-treatment ground quality targets and defining technical requirements relating to the storage of mining waste. On November 3, 2008, an additional order set the deadline for completing all rehabilitation work as December 31, 2011.

The impact on the local environment was caused by metal mining waste and demolition waste, which will have to be stored in underground storage cells to be built on-site. Rainwater permeates the unprotected former waste facilities and becomes contaminated with toxic elements, including arsenic. The elimination of all surface waste will resolve the transfer of pollution taking place via rainwater.

The aggregate amount of provisions covering the l'Estaque site rehabilitation programme came to €16,577 thousand at December 31, 2008

Active sites

In the absence of regulatory obligations, no provisions are set aside for the cost of site remediation work that the Group would bear on the closure of active sites.

Other information

During 2008, Recylex SA was not involved in any legal proceedings leading to fines for non-compliance with its regulatory obligations. Recylex SA was not granted any public environmental funds or subsidies in 2008.

Inventory of securities held

at December 31, 2008

Long-term investments and marketable securities

(In thousands of euros)	Net carrying amount
Issuing company	
I. Subsidiaries & equity investments	
A) Foreign	
Recylex GmbH	56,976
Fonderie et Manufacture de Métaux SA	1,867
Other	205
	59,048
B) French	
Metaleurop Nord SAS	0
Recylex Commercial SAS	152
Recytech SA	4,865
C2P SAS	1,708
Delot Metal SAS	0
Other	0
	6,725
TOTAL SUBSIDIARIES & EQUITY INVESTMENTS	**65,773**
II. Other long-term securities and marketable securities	
Long-term securities	12
Treasury shares	287
Other marketable securities	3,764
TOTAL OTHER LONG-TERM SECURITIES AND MARKETABLE SECURITIES	**4,062**
TOTAL SECURITIES	**69,836**

Appropriation of earnings

(In thousands of euros)	
Appropriation of earnings	
1. Net income/loss for the period	(22,888)
of which income/loss on ordinary activities after tax	(5,631)
2. Transfer to retained earnings	(22,888)
3. Transfer to statutory reserve	

Statutory Auditors' report on the financial statements

Year ended December 31, 2008

This is a free translation into English of the Statutory Auditor's report issued in French and is provided solely for the convenience of English-speaking users. The statutory auditor's report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditor's assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2008, on:

– the audit of the accompanying financial statements of Recylex SA;

– the justification of our assessments;

– the specific verifications and informations required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, on a test basis or by selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the Company's financial position and its assets and liabilities, as of December 31, 2008, and of the results of its operations for the year then ended in accordance with the accounting rules and principles applicable in France.

Without qualifying our opinion, we draw your attention to the uncertainties set out in note V to the financial statements regarding the two lawsuits initiated in 2006 against the company and that are still in progress at year-end:

• in the lawsuit brought by the former not executive employees of Metaleurop Nord SAS, the Industrial Section of the Lens Labour Court handed down its ruling on June 27, 2008 and awarded €30,000 in compensation plus €300 in expenses to each of the 493 plaintiffs in particular on the grounds that Recylex SA was the co-employer of the former employees of Metaleurop Nord SAS. However the Court ruled that the compensation, which totalled €14.9 million, should be included as a liability in Recylex SA's continuation plan. Recylex SA has appealed against these rulings and their execution has therefore been suspended. The next hearing before the Douai Appeal Court is due to take place on June 26, 2009. On September 30, 2008, the Management Section of the Lens Labour Tribunal was unable to reach a decision on the claims from 91 former managerial staff of Metaleurop Nord SAS representing a total of €2.8 million. The cases shall be heard again on May 20, 2009 by the Management Section of the Lens Labour Tribunal under the presidency of a judge from Lens District Court.

  As at December 31, 2008, the Company fully reserved the amount of all the damages granted by the Industrial Section of the Lens Labour Court and the claims lodged before the Management Section of the same Labour Court;

• The second lawsuit, brought by the liquidators of Metaleurop Nord SAS claiming the repayment by Recylex SA of €50 million of Metaleurop Nord SAS' liabilities, is pending before the Commercial Division of the Douai Appeal Court, following the liquidators' appeal against the decision delivered on February 27, 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 November 18, 2008 and invited the parties to bring the matter before the Conseil d'État. Pursuant to the judgment of Douai Appeal Court, on February 12, 2009 Recylex SA applied to the Conseil d'État for a preliminary ruling on legality. The preliminary ruling from the Conseil d'État is awaited before the Douai Appeal Court can rule on either the admissibility or the merits of the case.

  Based on the ruling in favour of Recylex SA of the Béthune Regional Court, the Company did not deem it necessary to set aside any provisions in the financial statements as at December 31, 2008.

Should the outcome of both lawsuits be unfavourable to Recylex SA, execution of the continuation plan and going concern could be called into question.

2. Justification of our assessments

The financial crisis that was progressively accompanied by an economic crisis leads to various consequences for companies and in particular regarding their activity and financing. These elements have been considered by your Company to assess the going concern assumption adopted for the preparation of the financial statements for year ended December 31, 2008. The very high volatility of the financial markets that remained active, the growing shortage of the transactions on the financial markets that became inactive, as well as the lack of visibility on the future create specific conditions this year for financial statements' preparation, in particular regarding accounting estimates that are required in accordance with accounting standards. These conditions are described in note VI to the financial statements. We have made our own assessments in this context of uncertainty that we bring to your attention in accordance with the requirements of article L. 823-9 of the French Commercial Code *(Code de commerce)*.

Going concern

Based on our work and the information you have communicated to date, and as part of our assessment of the accounting policies adopted by your Company, we believe that the notes to the financial statements provide appropriate information regarding the aforementioned uncertainty over the Group's ability to continue as a going concern.

Provisions

As specified in notes 6 – Accounting principles and methods and 7 to the financial statements, your Company books provisions to cover various risks. Based on the information available at the time of our audit, we assessed the data and assumptions made; we examined the methods applied in implementing these provisions, as well as the management approval process of these estimates. We ensured that the disclosures relating to the said provisions provided in the notes to the financial statements at December 31, 2008 were appropriate.

Financial assets

As described in the note VI to the financial statements on accounting principles and methods, the Company estimates the value of its financial assets on a yearly basis. We assessed the data and assumptions used and we examined the management approval process of these estimates. On theses bases, we ensured that the estimates made by the Company were reasonable.

The assessments were made in the context of our audit of the financial statements, taken as a whole, and therefore contributed to the formation of the opinion expressed in the first part of this report.

3. Specific verifications and information

We have also performed the specific verifications required by law.

Except for the potential effect of the above mentioned informations, we have no other matters to report regarding:

- the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the shareholders with respect to the financial position and the financial statements;
- the fair presentation of the information given in the management report of the Board of Directors in respect of remunerations and benefits granted to the relevant directors and any commitments given to them in connection with, or after, their appointment, termination or change in function.

In accordance with French law, we ascertained that the information relating to the identity of shareholders were given in the management report of the Board of Directors.

Paris-La Défense and Neuilly-sur-Seine, March 19, 2009

The Statutory Auditors

KPMG Audit
A division of KPMG SA

Catherine Porta
Partner

Deloitte & Associés

Albert Aïdan
Partner

Statutory Auditors' special report

on regulated agreements and commitments with third parties

Year ended December 31, 2008

This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments with related parties that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report to you on regulated agreements and commitments with related parties.

Agreements and commitments authorized during the year

Pursuant to article L. 225-40 of the French Commercial Code *(Code de Commerce),* the following agreements and commitments, which were previously authorized by your Board of Directors, have been brought to our attention.

The terms of our engagement do not require us to identify such agreements and commitments, if any, but to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention, without expressing an opinion on their usefulness and appropriateness. It is your responsibility, pursuant to article R. 225-31 of the French Commercial Code, to assess the interest involved in respect of the conclusion of these agreements for the purpose of approving them.

- **Compensation for Mr. Yves Roche should he be discharged from his duties as CEO following a major change in share ownership**

Individual concerned: Mr. Yves Roche

In its June 21, 2006 Meeting, your Board of Directors authorized your Company to grant Mr. Yves Roche compensation to be equal to twice the gross annual salary he would have received prior to the termination of his duties, in the event of a major change in share ownership resulting in his being discharged from his duties as CEO and employee.

Pursuant to the August 21, 2007 Law, your Board of Directors decided to adjust this commitment so that it is subject to performance conditions. In its March 18, 2008 Meeting, your Board of Directors therefore decided to withdraw the commitment made in its June 21, 2006 Meeting and to adopt the following arrangements, proposed by the Compensation and Appointment Committee :

- compensation would be paid to Mr. Yves Roche should he be discharged from his duties as CEO of the Company due to significant changes in his responsibilities in this capacity or a major disagreement with the Board of Directors concerning Group strategy and/or management, in the twelve months following a major change in share ownership supported by the Board of Directors (or a public offer recommended by the Board of Directors);
- the compensation payment would be subject to the following cumulative performance conditions :
  - the active and constructive involvement of the CEO, in all work preliminary to a restructuring of the share ownership, in accordance with specific obligations for listed companies; in the event of a public offer for the shares of Recylex SA, this will include participation in the preparation of all documents relating to Recylex SA and the performance of all procedures specific to facilitating the public offer process, and,
  - the performance of all procedures necessary to limit the economic and financial consequences of the major change in share ownership, particularly vis-à-vis clients and suppliers and take all reasonably necessary measures to ensure a smooth transition with the new management team;
- in accordance with the law, this compensation may only be paid once the Board of Directors has acknowledged that the aforementioned performance conditions have been met;
- if the performance conditions are met, the gross compensation paid to Mr. Yves Roche would be equal to twice the gross annual compensation that he would have received as Company CEO for the last fiscal year ended prior to the effective date of termination of his duties;
- This compensation may not be drawn concurrently with all other possible compensation (legal, professional, contractual or retirement) to which Mr. Yves Roche could be entitled in connection with the termination of his duties as Company CEO.

The agreement has been approved by the May 6, 2008 Annual General Meeting.

- **Waiver of the repayment of loans and current accounts granted by Recylex SA to Norzinco SA in connection with the winding up of the Norzinco SA business**

Individual concerned: Mr. Yves Roche

Nature, purpose and terms and conditions

The loan granted to Norzinco SA on October 15, 2002 totals €1,182,612.08 as at December 31, 2008, of which €76,826.89 in interest capitalized as at the end of 2008. The interest income recorded by your Company for 2008 stood at €61,589.35.

Your Company has pledged to waive the repayment of the loans and current accounts up to the final winding up of the Norzinco SA business. This commitment has been approved by the November 13, 2008 Meeting of your Board of Directors.

- **Waiver of the repayment of a line of credit granted by Recylex SA to Norzinco SA in connection with the winding up of the Norzinco SA business**

Individual concerned: Mr. Yves Roche

Nature, purpose and terms and conditions

Your Company had approved the opening of a line of credit in a maximum amount of €2 million for Norzinco SA. Its remuneration is calculated based on the three-month Euribor plus 0.75 basis point.

The balance of the current account stood at €2,109,510.14 as at December 31, 2008, of which interest income of €109,510.14 capitalized as at the end of 2008. The interest income recorded by your Company for 2008 stood at €98,291.56.

Your Company has pledged to waive the repayment of the loans and current accounts up to the final winding up of the Norzinco SA business. This commitment has been approved by the November 13, 2008 Meeting of your Board of Directors.

- **Tax grouping agreement**

Individual concerned: Mr. Yves Roche

On March 17, 2008, your Company signed an updated tax grouping agreement with its subsidiaries, C2P SAS, Recylex Commercial SAS, Delot Metal SAS and Norzinco SA, superseding all previous agreements, with a view to finalizing the tax expense distribution within the tax grouping of which your Company is the parent.

This commitment has been approved by the August 29, 2008 Meeting of your Board of Directors.

- **Consulting services agreement with HRI**

Individual concerned: Mr. Richard Robinson

Nature, purpose and terms and conditions

Your Company has signed a consulting services agreement with HRI, a company whose Managing Partner, Mr. Richard Robinson, is also one of your Company's Directors. This agreement has been approved by the September 26, 2008 Meeting of your Board of Directors.

This agreement, which became effective as from October 1, 2008, governs the carrying out of ad hoc projects remunerated at a monthly €10,000 flat fee which may be revised upward or downward at the rate of €2,000 per day, depending on whether the actual number of days of service is higher or lower than five per month.

The amount of service fees assumed by your Company stands at €30,000 for 2008.

Agreements and commitments authorized in previous years and having continuing effect during the year

In addition, pursuant to the French Commercial Code, we have been advised that the following agreements and commitments authorized in previous years have had continuing effect during the year.

- **Pledge of the Recylex GmbH shares held by Recylex SA**

To secure the repayment of a line of credit granted by Glencore International AG, your Board of Directors, in its September 20, 2002 Meeting, authorised the first ranking pledge of the Recylex GmbH shares held by Recylex SA in favour of Glencore AG. The line of credit has been repaid, but the pledge is maintained since the interest and expenses have yet to be settled.

- **Line of credit made available by Glencore International AG**

Nature and purpose

Your Board of Directors, in its April 8, 2003 Meeting, authorized the opening of a line of credit for your Company on behalf of Glencore International AG.

Terms and conditions

This line of credit, available as of April 29, 2003, can be used until August 29, 2003 and is capped at €12,000,000. The remuneration of this advance was set at the one-month Euribor plus 1 basis point.

The amount reported to the creditors' representative totalled €11,000,000, to which is added capitalised interest for €137,516.62.

Following your Company's implementation of the business continuity plan, this debt no longer bears interest and will be repaid over a ten-year period based on the terms and conditions stipulated in the plan. Accordingly, following payment of the plan's instalments, Recylex SA has repaid the sum of €1,782,002.64, of which €891,001.32 in 2008, bringing the debt's balance to €9,355,513.97 as at December 31, 2008.

We conducted our procedures in accordance with the professional guidelines of the French National Institute of Statutory Auditors *(Compagnie nationale des commissaires aux comptes)* relating to this engagement. Those procedures consisted in verifying the information provided to us with the relevant source documents.

Paris-La Défense and Neuilly-sur-Seine, March 19, 2009

The Statutory Auditors

KPMG Audit A division of KPMG SA	Deloitte & Associés
Catherine Porta Partner	Albert Aïdan Partner

List of agreements

entered into by Recylex SA (hereinafter the "Company") relating to current operations entered into under normal terms and conditions during the fiscal year ended December 31, 2008 or which have had continuing effect during such fiscal year

1. Commercial cooperation agreements

Purchase of raw materials by the Company to:

– Fonderie et Manufacture des Métaux SA (Belgium).

Supplies of raw materials from the Company to the following subsidiaries:

– Weser Metall GmbH (Germany);

– C2P SAS (France).

Commissions paid to Recylex Commercial SAS for services relating to purchase and sale of products carried out in the name and on behalf of the Company in accordance with commercial agency agreements, amended during the year 2008.

2. General support services agreement

The Company invoices part of the central services provided to the following subsidiaries:

– Recylex Commercial SAS, C2P SAS (France);

– Weser Metall GmbH, Harz Metall GmbH, C2P GmbH, PPM PureMetals GmbH, Recylex GmbH (Germany);

– Fonderie et Manufacture des Métaux SA (Belgium).

3. Lease agreements

Sub-letting of part of the premises located at 79, rue Jean-Jacques-Rousseau, 92150 Suresnes, to the company Recylex Commercial SAS including overhead expenses linked to the use of part of these premises.

Sub-letting of part of the premises located at 155, avenue de Beaujeu, BP 451, 69657 Villefranche Cedex, to the company C2P SAS, as well as invoice of services and supplies.

4. Services agreements

The Company invoices services to the following subsidiaries:

– Belgium: Fonderie et Manufacture des Métaux SA: regarding technical services relating to environment, health and safety matters;

– France: Recylex Commercial SAS (regarding administrative, financial and accounting matters and lease of motor vehicle), C2P SAS (lease of motor vehicle).

5. Loan granted by the Company to Delot Metal SAS on October 1, 2002

On October 1, 2002 the Company granted a loan to Delot Metal SAS under following conditions:

– date of the loan	: October 1, 2002
– amount	: €3,962,500.00
– interest rate	: Pibor 3 months +0.50%

The initial loan was amended by an amendment agreement no. 1 of March 12, 2007 as follows:

– date of the loan	: March 12, 2007
– amount	: €7,364,500.00
– interest rate	: Euribor 3 months +0.50%

Effective from July 1, 2007, the rate interest was amended by an amendment agreement no. 2 on June 29, 2007, as follows:

– date of the loan	: March 12, 2007
– amount	: €7,364,500.00
– interest rate	: Euribor 3 months +0.75%

The amount of the loan was reduced by an amendment agreement no. 3 on December 21, 2007 as follows:

– date of the loan	: December 21, 2007
– amount	: €3,072,300.00
– interest rate	: Euribor 3 months +0.75%

This 2008 annual report is a non official translation into English
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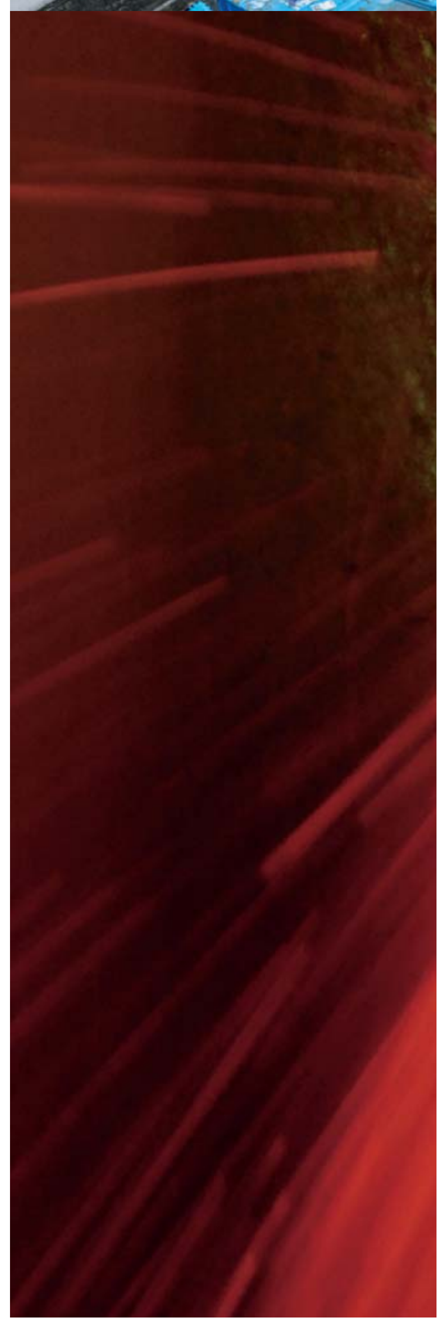

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