ECOBAT
TECHNOLOGIES

PRESS RELEASE

ECO-BAT TECHNOLOGIES LTD ("ECO-BAT") REPORTS Q3 2019 RESULTS

Eco-Bat reported EBIT of $21.1 million during the first nine months of 2019 compared to $28.5 million during the same period in 2018. EBITDA was $79.6 million during the first nine months of 2019 compared to $80.5 million in the same period in 2018. EBIT and EBITDA are adjusted for exceptional operating expenses of $3.8 million in 2019 and $6.7 million in 2018.

- Revenue of $1.8 billion, a decline of 7.3% from lower LME prices offset by an increase in sales tonnage of 3.4%;
- The LME lead price averaged $1,984 during the first nine months of 2019 compared to $2,337 in the same period of 2018.

Eco-Bat reported EBIT of $5.8 million during the third quarter of 2019 compared to an EBIT loss of $7.2 million in the third quarter of 2018. EBITDA was $25.7 million in the third quarter of 2019 compared to $10.0 million in the third quarter of 2018. EBIT and EBITDA are adjusted for exceptional operating expenses of $2.3 million in the third quarter of 2019 and $1.6 million in the third quarter of 2018.

- Revenue of $612 million, an increase of 11%, from higher sales tonnages of 8.6%;
- The LME lead price averaged $2,029 during the third quarter of 2019 compared to $2,102 in the third quarter of 2018

The year to date and third quarter results were negatively impacted by a year over year 15% and 3% decline in LME lead prices, respectively. The 2019 year to date results were negatively impacted by a 30-day partial curtailment at one of our US facilities and an 11-day unplanned outage at our Primary Smelting facility while 2018 includes the impact of a quadrennial six-week maintenance shutdown at our Primary Smelting facility during the third quarter of 2018.

The Company's cash position remains strong with cash and cash equivalents of $242.5 million less overdrafts of $10.7 million at September 30, 2019 ($255.5 million at December 31, 2018 less overdrafts of $15.8 million) which exceeded all forms of debt from various lending facilities of $171.7 million and $135.0 million for the respective periods.

For further information on the Company's results and financial position, please refer to the unaudited financial statements for the third quarter of 2019 which have been posted to Bloomberg.

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ECO-BAT TECHNOLOGIES LIMITED

QUARTERLY FINANCIAL STATEMENTS

FOR THE QUARTER ENDED
30 SEPTEMBER 2019

These unaudited condensed consolidated financial statements for the three–month and nine-month period ended 30 September 2019 and 30 September 2018 have been prepared using, on a consistent basis, the accounting policies set out in the 2018 Eco–Bat Technologies Limited consolidated financial statements with the exception of the adoption of new standards and the change in accounting policy as described in note 1. The 2018 Eco–Bat Technologies Limited consolidated financial statements were prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union ('IFRS') and as applied in accordance with the UK Companies Act 2006.

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Financial Statements

CONDENSED CONSOLIDATED INCOME STATEMENT (unaudited)

	Notes	*3 month period ended 30 September 2019*	*Restated 3 month period ended 30 September 2018*	*9 month period ended 30 September 2019*	*Restated 9 month period ended 30 September 2018*
		$000	*$000*	*$000*	*$000*
Revenue	2	612,046	551,865	1,797,219	1,939,628
Cost of sales materials		(428,600)	(380,705)	(1,229,915)	(1,352,201)
Cost of sales expenses		(133,803)	(133,845)	(412,643)	(421,294)
Total cost of sales		(562,403)	(514,550)	(1,642,558)	(1,773,495)
Gross profit		49,643	37,315	154,661	166,133
Selling and distribution expenses		(14,021)	(15,649)	(43,688)	(49,716)
Administrative expenses		(29,751)	(28,895)	(89,885)	(87,926)
Group operating profit/(loss) pre exceptionals		5,871	(7,229)	21,088	28,491
Exceptional operating expenses	3	(2,330)	(1,644)	(3,784)	(6,726)
Group operating profit/(loss)		3,541	(8,873)	17,304	21,765
Finance income		2,259	4,030	8,655	8,504
Finance costs		(3,545)	(3,000)	(12,889)	(8,667)
Profit/(loss) before tax and payment in lieu of taxes		2,255	(7,843)	13,070	21,602
Tax expense		(2,595)	(2,525)	(10,269)	(6,599)
Payments in lieu of taxes		(1,698)	(1,258)	(6,582)	(8,872)
(Loss)/profit for the financial year		(2,038)	(11,626)	(3,781)	6,131
Attributable to:					
Equity holders of the Company		(2,061)	(11,588)	(3,827)	6,131
Non-controlling interests		23	(38)	46	-
		(2,038)	(11,626)	(3,781)	6,131

All results are from continuing operations.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (unaudited)

	3 month period ended 30 September 2019 $000	*Restated 3 month period ended 30 September 2018 $000*	*9 month period ended 30 September 2019 $000*	*Restated 9 month period ended 30 September 2018 $000*
(Loss)/Profit for the period	**(2,038)**	**(11,626)**	**(3,781)**	**6,131**
Other comprehensive income:				
Exchange differences on translation of foreign operations	(23,448)	(10,632)	(25,808)	(34,792)
Deferred tax thereon	(486)	(35)	(568)	(399)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(23,934)**	**(10,667)**	**(26,376)**	**(35,191)**
Actuarial (losses)/gains on defined benefit pension plans	(674)	(5,121)	(3,522)	3,801
Changes in minimum funding liability	(1,135)	5,086	(88)	(3,416)
Deferred tax thereon	3	15	(8)	(104)
Net other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods	(1,806)	(20)	(3,618)	281
Other comprehensive income for the period net of tax	**(25,740)**	**(10,687)**	**(29,994)**	**(34,910)**
Total comprehensive income for the period	**(27,778)**	**(22,313)**	**(33,775)**	**(28,779)**
Attributable to:				
Equity holders of the Company	(27,769)	(22,333)	(33,798)	(28,837)
Non-controlling interests	(9)	20	23	58
	(27,778)	**(22,313)**	**(33,775)**	**(28,779)**

CONDENSED CONSOLIDATED BALANCE SHEET (unaudited)

	Note	*30 September 2019 $000*	*Restated 31 December 2018 $000*	*Restated 1 January 2018 $000*
NON-CURRENT ASSETS				
Property, plant and equipment		473,700	491,986	519,597
Right-of-use Assets		57,261	–	–
Intangible assets		43,318	50,675	53,990
Financial assets		540	713	580
Deferred tax assets		417	1,293	1,493
Other receivables		6,326	5,402	5,023
		581,562	550,069	580,683
CURRENT ASSETS				
Inventories	4	455,154	411,478	461,848
Trade and other receivables		251,622	237,415	338,204
Income tax receivable		2,823	5,480	5,107
Financial assets		3,874	875	5,128
Cash and cash equivalents		242,529	255,457	179,906
		956,002	910,705	990,193
TOTAL ASSETS		**1,537,564**	**1,460,774**	**1,570,876**
CURRENT LIABILITIES				
Trade and other payables		215,161	206,315	231,846
Lease liabilities		4,371	–	–
Financial liabilities		81,214	37,773	57,879
Income tax payable		8,296	1,009	4,019
Provisions		753	2,047	1,356
		309,795	247,144	295,100
NON-CURRENT LIABILITIES				
Trade and other payables		3,030	3,671	3,413
Lease liabilities		58,154	–	–
Financial liabilities		112,816	119,222	119,990
Deferred tax liabilities		5,487	6,697	7,103
Provisions		12,179	11,520	12,149
Pension liabilities		33,070	30,794	37,885
		224,736	171,904	180,540
TOTAL LIABILITIES		**534,531**	**419,048**	**475,640**
NET ASSETS		**1,003,033**	**1,041,726**	**1,095,236**
CAPITAL AND RESERVES				
Equity share capital		–	–	–
Share premium account		40,861	42,409	44,898
Capital redemption reserve		57,786	59,974	63,494
Unrealised gains and losses		283	193	205
Other reserves		16,381	12,633	6,612
Currency translation reserve		(74,835)	(48,482)	1,149
Retained earnings		962,112	974,577	978,491
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**1,002,588**	**1,041,304**	**1,094,849**
Non-controlling interests		445	422	387
TOTAL EQUITY		**1,003,033**	**1,041,726**	**1,095,236**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)

2019	*Equity share capital $000*	*Share Premium $000*	*Capital redemption reserve $000*	*Unrealised gains and losses $000*	*Other reserves $000*
At 1 January 2019 *Restated*	–	42,409	59,974	193	12,633
Change in accounting policy (Note 1)	–	–	–	–	–
(Loss)/Profit for the period	–	–	–	–	–
Other comprehensive (loss)/ income	–	–	–	–	–
Total comprehensive (loss)/income	**–**	**–**	**–**	**–**	**–**
Transfer between reserves	–	(1,548)	(2,188)	90	3,748
At 30 September 2019	**–**	**40,861**	**57,786**	**283**	**16,381**

	Currency translation reserve $000	*Retained earnings $000*	*Total attributable to equity holders of the company $000*	*Non-controlling interests $000*	*Total equity $000*
At 1 January 2019 *Restated*	(48,482)	974,577	1,041,304	422	1,041,726
Change in accounting policy (Note 1)	–	(4,918)	(4,918)	–	(4,918)
(Loss)/Profit for the period	–	(3,827)	(3,827)	46	(3,781)
Other comprehensive (loss)/income	(26,353)	(3,618)	(29,971)	(23)	(29,994)
Total comprehensive (loss)/income	**(26,353)**	**(7,445)**	**(33,798)**	**23**	**(33,775)**
Transfer between reserves	–	(102)	–	–	–
At 30 September 2019	**(74,835)**	**962,112**	**1,002,588**	**445**	**1,003,033**

2018 *Restated*	*Equity share capital $000*	*Share Premium $000*	*Capital redemption reserve $000*	*Unrealised gains and losses $000*	*Other reserves $000*
At 1 January 2018 *Restated*	–	44,898	63,494	205	6,612
Profit for the period	–	–	–	–	–
Other comprehensive income	–	–	–	–	–
Total comprehensive income	**–**	**–**	**–**	**–**	**–**
Transfer between reserves	–	(1,594)	(2,254)	(8)	3,856
At 30 September 2018 *Restated*	**–**	**43,304**	**61,240**	**197**	**10,468**

	Currency translation reserve $000	*Retained earnings $000*	*Total attributable to equity holders of the company $000*	*Non-controlling interests $000*	*Total equity $000*
At 1 January 2018 *Restated*	1,149	978,491	1,094,849	387	1,095,236
Profit for the period	–	6,073	6,073	58	6,131
Other comprehensive income	(35,191)	281	(34,910)	–	(34,910)
Total comprehensive income	**(35,191)**	**6,354**	**(28,837)**	**58**	**(28,779)**
Transfer between reserves	–	–	–	–	–
At 30 September 2018 *Restated*	**(34,042)**	**984,845**	**1,066,012**	**445**	**1,066,457**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)

2018 *Restated*	*Equity share capital $000*	*Share Premium $000*	*Capital redemption reserve $000*	*Unrealised gains and losses $000*	*Other reserves $000*
At 1 January 2018 *Restated*	–	44,898	63,494	205	6,612
(Loss)/profit for the period	–	–	–	–	–
Other comprehensive income	–	–	–	–	–
Total comprehensive income	**–**	**–**	**–**	**–**	**–**
Transfer between reserves	–	(2,489)	(3,520)	(12)	6,021
At 31 December 2018 *Restated*	**–**	**42,409**	**59,974**	**193**	**12,633**

	Currency translation reserve $000	*Retained earnings $000*	*Total attributable to equity holders of the company $000*	*Non-controlling interests $000*	*Total equity $000*
At 1 January 2018 *Restated*	1,149	978,491	1,094,849	387	1,095,236
(Loss)/profit for the period	–	(2,520)	(2,520)	35	(2,485)
Other comprehensive income	(49,631)	(1,394)	(51,025)	–	(51,025)
Total comprehensive income	**(49,631)**	**(3,914)**	**(53,545)**	35	**(53,510)**
Transfer between reserves	–	–	–	–	–
At 31 December 2018 *Restated*	**(48,482)**	**974,577**	**1,041,304**	**422**	**1,041,726**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	3 month period ended 30 September 2019 $000	*Restated* 3 month period ended 30 September 2018 $000	9 month period ended 30 September 2019 $000	*Restated* 9 month period ended 30 September 2018 $000
Operating activities				
Group profit/(loss) before taxation	2,255	(7,843)	13,070	21,602
Adjustments to reconcile profit/(loss) before taxation to net cash flows from operating activities:				
Amortisation and impairment of intangible assets	1,474	971	3,490	5,023
Depreciation and impairment of property plant and equipment	19,939	16,382	57,296	50,112
(Gain)/loss on sale of property plant and equipment	(94)	163	(709)	777
Decrease in deferred consideration	(227)	(92)	(22)	(264)
Amortisation of government grants	(83)	(98)	(250)	(290)
(Increase)/decrease in inventories	(37,072)	(10,595)	(62,084)	29,588
Decrease/(increase) in receivables	(18,427)	52,397	(14,886)	82,363
Increase/(decrease) in payables	30,846	12,532	6,503	(15,987)
Movement in unrealised forward contracts	5,836	(5,825)	5,530	1,041
Difference between pension contributions paid and amounts recognised	147	(34)	375	(5,625)
Movement in provisions	(64)	23	(224)	704
Finance income	(2,259)	(4,030)	(8,655)	(8,504)
Finance costs	3,545	3,000	12,890	8,667
Net cash flows from operations	5,816	56,951	12,324	169,207
Income taxes paid	(3,080)	(5,392)	(7,997)	(14,162)
Net cash flows from operating activities	2,736	51,559	4,327	155,045
Investing activities				
Interest received	917	4,247	2,592	8,561
Receipt from sale of plant property and equipment	265	1,695	2,142	2,134
Payments to acquire plant property and equipment	(14,116)	(22,177)	(43,737)	(48,052)
Payments to acquire intangible assets	(392)	(391)	(690)	(492)
Net purchase consideration for subsidiaries, net of cash acquired	-	-	-	(7,398)
Net cash flows from investing activities	(13,326)	(16,626)	(39,693)	(45,247)
Financing activities				
Interest paid	(7,820)	(6,523)	(6,910)	(9,345)
Repayment of lease payments (2018: finance lease payments only)	(641)	-	(6,496)	-
New loans	-	4,900	3,200	4,900
Drawdown/(repayment) of loans and trade financing	10,299	(7,694)	40,730	(35,032)
Net cash flows from financing activities	1,838	(9,317)	30,524	(39,477)
(Decrease)/increase in cash and cash equivalents	(8,752)	25,616	(4,842)	70,321
Effect of exchange rates on cash and cash equivalents	(4,853)	(1,958)	(3,010)	(8,032)
Cash and cash equivalents at the beginning of the period	245,459	199,747	239,706	161,116
Closing cash and cash equivalents (Note 5)	231,854	223,405	231,854	223,405

1. BASIS OF PREPARATION

These financial statements are prepared to satisfy the requirements of a Form 10-Q under the U.S. Securities Exchange Act 1934 (which need not comply with Regulation S-X promulgated by the U.S. Securities and Exchange Commission) if Eco-Bat Technologies were required to prepare and file such a form: provided, that the report shall not be required to include any reconciliation of any line items to U.S. GAAP, together with the information in relation to Eco-Bat Technologies described in Item 5 of Form 20-F under the U.S. Securities Exchange Act 1934 (i.e., Management's Discussion and Analysis of Financial Condition and Results of Operating). Accordingly, the financial statements do not include all of the information and disclosures required by IFRS for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the period ended 30 September 2019 are not necessarily indicative of the results that may be expected for the year ending 31 December 2019. The financial information for the year ended 31 December 2018, which does not constitute the Company's statutory accounts for that year, has been derived from the audited consolidated financial statements at that date but does not include all of the information and disclosures required by IFRS for complete financial statements.

The Company has prepared forecasts of the Group's revenues, costs, capital expenditure, working capital and cash needs for a period of at least a year from the date of approving these financial statements ("the review period"). Such forecasts are based on a number of assumptions including those relating to metals prices, volumes, planned capital expenditure programmes and working capital management.

The forecasts predict a positive net cash position throughout the review period, but also show that contingency facilities exist at substantial levels. Some of these facilities (£75 million and $50 million in Europe and US, respectively) are subject to change of control provisions. The Company's majority shareholder, EB Holdings II, Inc., recently entered into agreements with certain of its creditors regarding, among other things, a restructuring of its debt. The first of two sets of transactions contemplated by the agreements closed on 30 July 2019. The closing of the second of two sets of restructuring transactions will occur on the effectiveness of the restructuring plan which was confirmed by the Nevada Bankruptcy Court on October 21, 2019 and is subject to the satisfaction of various closing conditions expected to be concluded in the first quarter of 2020. Assuming all closing conditions are met and the restructuring transactions are completed, a change in control of the Company (as defined in certain of the Company's facilities) could occur and, as a result, certain of the contingency facilities will be at risk. If EB Holdings II, Inc. fails to consummate the second set of these restructuring transactions, then potential insolvency or liquidation proceedings arising from EB Holding II Inc.'s alleged outstanding debt might result in dilution, possibly of a substantial nature, to the present shareholders of EB Holdings II, Inc. and, in certain circumstances, could result in a change of control of Eco-Bat pursuant to the terms of certain of its committed bank borrowing facilities.

However, having reviewed the forecasts for the review period and having considered available facilities not subject to change in control clauses and other mitigating factors available to the Group, the Company's management believes that the Group has sufficient resources to continue in operational existence for the review period. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Annual Report to the Shareholders for the year ended 31 December 2018.

1. BASIS OF PREPARATION (continued)

Significant accounting policies

These unaudited condensed consolidated financial statements for the three month and nine-month periods ended 30 September 2019 have been prepared using, on a consistent basis, the accounting policies set out in the 2018 Eco-Bat Technologies Limited consolidated financial statements. The 2018 Eco-Bat Technologies Limited consolidated financial statements were prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union ("IFRS") and as applied in accordance with the UK Companies Act 2006.

IFRS 16 - Leases

IFRS 16 – Leases became mandatory for the first time during the financial year beginning 1 January 2019. This note explains the impact of the adoption of IFRS 16 – Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted under the lessee's incremental borrowing rate as of 1 January 2019.

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets Land and Buildings +$43.8 million
- Right-of-use assets Plant & Equipment +$22.0 million
- Deferred Tax Assets + $0.2 million
- Lease Liabilities + $70.9 million

The net impact on retained earnings on 1 January 2019 was a decrease of $4.9 million.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard: a) The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases and b) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

From 1 January 2019, operating leases are recognised as a right-of-use asset and a corresponding liability. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight line basis.

1. BASIS OF PREPARATION (continued)

Significant accounting policies, IFRS 16 (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest payment implicit in the lease. If that rate cannot be determined, the incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising: a) the amount of the initial measurement of the lease liability, b) any lease payments made at or before the commencement date less any lease incentives received, c) any initial indirect costs, and d) restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less.

Precious Metals Trade Financing

The Group secured up to $53 million of precious metal financing in March 2019 to support the financing of the German primary smelter's feedstock material. The costs associated with movements in the LME for financed material are capitalised in the carrying value of inventory. Any such changes are reflected in inventory up until the date of the price being fixed with the customer.

Politec Acquisition Fair Value Exercise

In June 2019, the valuation was completed and the acquisition date fair value of the fixed assets was $5.5 million, an increase of $4.1 million over the provisional value. The 2018 comparative information was restated to reflect the adjustment to the provisional amounts. As a result, there was an increase in the deferred tax liability of $1.0 million and a corresponding reduction in Goodwill of $3.1 million. The increased depreciation charge from the acquisition date to 31 December 2018 was not material.

Prior Year Restatement – Depreciation on previously capitalised interest

The December 2018 Property, Plant and Equipment and 2018 income statement has been restated to reflect a correction in depreciation expense. Accumulated depreciation (recorded within Cost of Sales Expenses) had been overstated by $6.5 million as at 31 December 2018 (2017 $5.3 million) and Cost of Sales Expenses for Q1 2019 and each quarter of 2018 has been reduced by $0.3 million.

2. REVENUE

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major product lines:

- Lead: Sale of pure lead and lead alloys by our secondary and primary lead production operations.
- Other Metals: Production and sale of value-added lead products such as lead sheet, lead anodes, non-lead by-products and co-products (notably silver, gold and copper matte), as well as other secondary metals and metal products (specifically zinc and aluminium).
- Other: Plastics and minerals, collection of scrap batteries and the distribution and sale of new batteries.

	3 month period ended 30 September 2019 $000	*Restated 3 month period ended 30 September 2018 $000*	*9 month period ended 30 September 2019 $000*	*Restated 9 month period ended 30 September 2018 $000*
Lead	417,148	438,804	1,263,669	1,465,066
Other Metals	101,712	29,361	248,814	183,409
Other	93,186	83,700	284,736	291,153
Total Revenue	612,046	551,865	1,797,219	1,939,628

3. EXCEPTIONAL OPERATING EXPENSES

	3 month period ended 30 September 2019 $000	*Restated 3 month period ended 30 September 2018 $000*	*9 month period ended 30 September 2019 $000*	*Restated 9 month period ended 30 September 2018 $000*
Litigation and competition authority investigation costs	734	1,483	1,489	3,612
Impairment charges	1,596	161	2,295	3,114
	2,330	1,644	3,784	6,726

4. INVENTORIES

	30 September 2019 $000	*Restated 31 December 2018 $000*
Raw materials and consumables	149,084	130,598
Work in progress	117,348	93,079
Finished goods for resale	152,781	151,694
Spares, tooling and consumable stores	35,941	36,107
	455,154	411,478

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises cash and short term deposits amounting to $242.5 million (31 December 2018 $255.5 million) less overdrafts of $10.7 million (31 December 2018 $15.8 million *Restated*).

6. DIVIDENDS PAID AND PROPOSED

No dividends were declared or paid in the nine-month period to 30 September 2019 or in the comparative nine -month period in 2018.

7. SIGNIFICANT CHANGES AND EVENTS

EU Commission's investigation

On 26 September 2012, representatives of the European Commission (the "Commission") carried out unannounced inspections in several Member States at the premises of a number of purchasers of scrap batteries and other lead scrap for the production of recycled lead, including one of the Group's premises. The Commission stated that it had reason to believe that the companies concerned may have violated Article 101 of the Treaty on the Functioning of the European Union, which prohibits cartels and concerted practices.

On 8 February 2017, the Company received a Decision from the Commission to impose a fine of €32.7 million on the Company and two of its subsidiaries, Berzelius Metall GmbH and Société de Traitements Chimiques des Métaux SAS. The Company appealed the Commission's decision. On 10 May 2017, the Company made provisional payment to the Commission in respect of the full amount of the fine of €32.7 million. On 21 March 2019, the appeal was denied by the EU Court of Justice and the provisional payment represents the final settlement. On 23 August 2019, the Company submitted an application to the European Court of Human Rights in relation to the judgement of the EU Court of Justice, this application was denied.

Third party litigation risk

Based on the information currently available to the Company, including the advice from legal counsel, management now believes it is possible, but not probable, that a material economic outflow may arise from any potential future third party claim resulting from the Commission Decision.

Based on the passage of time and our experience in dealing with this matter we now believe that any further economic outflow arising from this matter is unlikely to be material and less likely to occur.

California Recycling Plant Subpoena

In August 2014, RSR Corporation ("RSR") and Quemetco, Inc., ("Quemetco") the operator of the Group's California recycling plant, each received a grand jury subpoena from the United States Attorney in the Central District of California in connection with a criminal investigation. The subpoena requested the production of documents principally relating to the handling and shipping of plastic materials recovered from the recycling of batteries in California. RSR and Quemetco are cooperating fully with the investigation. Since providing documents, neither RSR nor Quemetco has heard anything further. At this time, the Group believes that statute of limitations has expired for potential issues related to the Subpoena. The Group believe its facilities are operated in strict compliance with applicable environmental regulations.

7. SIGNIFICANT CHANGES AND EVENTS (continued)

Soil Perimeter Testing

Quemetco completed perimeter soil testing around the Group's California recycling plant. While the completed activity was not subject to any order or consent judgment mandating an investigation, the tests were overseen by the California Department of Toxic Substances Control ("DTSC"). Previous soil testing around the facility has detected lead in soils beyond the fence line above expected background or ambient lead levels. This testing involved sampling the 1/4 mile radius around the facility. Sampling in the roadways and public rights of way began on 31 May 2016. Sampling in the neighboring residential and commercial properties began in late June 2016. Since lead in the environment comes from many sources, including lead in paint and historic lead levels in gasoline, ambient and background soil lead testing was conducted simultaneously. The investigation report was completed and submitted to DTSC in March 2017. Quemetco participated in several review meetings with DTSC to modify the draft report.

On November 16, 2018, DTSC issued an Enforcement Order to Quemetco and Quemetco West, LLC ("Quemetco West") (the owner of the California recycling plant) in response to the May 2017 investigation report, requiring Quemetco and Quemetco West to take interim measures to address releases of hazardous substances within a 1/4 mile of the facility (the "Quemetco Impacted Area"). Then, on December 17, 2018, DTSC issued a second Enforcement Order to Quemetco and Quemetco West requiring the performance of additional testing up to 1.6 miles from the facility. Quemetco and Quemetco West filed Notices of Defense and requested administrative hearings in response to both DTSC Enforcement Orders. On July 18, 2019, DTSC dismissed the December 17, 2018 Enforcement Order without prejudice. The November 16, 2018 Enforcement Order remains outstanding.

California Civil Enforcement Action

On October 31, 2018, DTSC filed a civil complaint in the Superior Court of the State of California, County of Los Angeles against Quemetco and Quemetco West alleging numerous violations of California's Hazardous Waste Control Law. The complaint alleges twenty-nine causes of action, all arising from historical violations dating back to 2005 that the DTSC alleged during previous inspections. Quemetco and Quemetco West are in the process of defending itself against these allegations. Quemetco has reached tentative agreement to settle 13 of the 29 causes of action. Quemetco continues to develop documentation to defend its position on the remaining open items.

Permit Renewal

Quemetco has submitted an application to renew its Part B RCRA permit in respect of the Group's California facility with the California DTSC. The permit renewal process is not expected to be completed until fall 2019. Because the application is deemed complete Quemetco may continue to operate the facility pending review by DTSC.

Throughput Expansion

Quemetco has submitted an application to the South Coast Air Quality Management District to increase throughput at the Group's California facility by approximately 25 percent, which requires review under the California Environmental Quality Act (CEQA). Quemetco must demonstrate during the CEQA and permitting process that increased throughput will not cause any of the above excess cancer risk levels to be triggered.

7. SIGNIFICANT CHANGES AND EVENTS (continued)

Middletown Contingent Liabilities

The Revere Smelting and Refining Corporation is progressing through a 2011 consent agreement that requires investigation and remediation of 4 operable units (OU).

- OU1 – all environmental media other than groundwater on the property and the plant
- OU2 – all groundwater contamination
- OU3 – all offsite media, other than ground water
- OU4 – the plant facility

The remediation efforts for OU1 and OU2 are substantially complete and the remaining obligations relate primarily to future maintenance activities.

The investigation of OU3 is substantially complete. The New York State Department of Environmental Conservation (NYSDEC) is requesting a corrective measures feasibility study on the OU3 area. As part of the study an ecological risk assessment is being completed along with development of risk based clean up objectives.

Indianapolis Contingent Liabilities

Quemetco, RSR Corporation and Quemetco Realty entered into a Consent Decree with the U.S. Environmental Protection Agency ("EPA") in 1989 requiring the completion of certain hazardous waste-related investigation and remediation activities at the Group's Indianapolis, IN recycling plant pursuant to the Resource Conservation and Recovery Act ("RCRA"). Site investigation activities are now nearing completion, and the EPA has indicated the next phase of the project will be to complete a corrective measures feasibility assessment that will include risk-based clean up evaluation of the impacted areas.

Intention to commence derivative claim against former and current Directors

LEG Q LLC (LEG), a 6.63% minority shareholder of Eco-Bat, has written to certain current and former directors of the Company (the Defendant Directors) informing them of its intention to commence a derivative claim against them in the English courts. LEG has alleged that the Defendant Directors acted in breach of their duties owed to Eco-Bat and this is said to have caused the Company unquantified losses. The Company sought legal advice in relation to the proceedings threatened by LEG and conducted an internal investigation into the matters that were raised. The investigation concluded that the Company does not consider there to be any evidence to suggest any breach of duties. LEG has indicated that it does not intend to proceed with any derivative claim against the Defendant Directors until the outcome of third party applications it has made in the US for discovery and deposition testimony, and which are said by it to be made in support of the proceedings it intends to bring in the UK, are known. Before proceeding with any derivative claim, which, due to the legal nature of such proceedings would be brought on behalf of Eco-Bat, LEG would first need to obtain the permission of the English courts. Eco-Bat and the Defendant Directors would be entitled to make submissions at any such hearing.

In December 2018, the Company received a pre-action letter from lawyers representing LEG Q LLC announcing their intention to commence unfair prejudice proceedings against the Company's majority shareholder, EB Holdings II, Inc. The letter alleges that Company directors have acted in breach of their fiduciary duties to the Company by permitting the payment of certain facility management and service fees to the related party RSR Corporation. It is not anticipated that the Company will face any material liability as a result of any potential future lawsuit.

Competition and Markets Authority investigation

On 11 July 2017, the Competition and Markets Authority ("CMA") carried out an inspection visit at the Group's lead sheet operation in the UK.

The CMA's investigation is ongoing and on 27 March 2019 the CMA issued its Statement of Objections (''SoO''). Management filed its response to the Statement of Objections during August 2019.

At this stage, a number of significant uncertainties exist as to the content and timing of the final decision by the CMA and, if the CMA concludes that there has been an infringement, the amount of any penalty, given the authority's broad discretion on penalties and many factors which it can take into account. As such at the current time it is not possible to make a reliable estimate of the financial consequence that may arise from the conclusion of the CMA investigation.

OPERATING AND FINANCIAL REVIEW

Results of operations for the three–month and nine-month periods ended 30 September 2019 compared with the three–month and nine -month periods ended 30 September 2018 *Restated*
****All 2018 figures are restated accordingly per Note 1***

The following is a discussion of the results of operations and financial condition of Eco-Bat Technologies Limited for the periods set out above. You should read this section together with the unaudited condensed consolidated financial statements of Eco-Bat Technologies Limited for the period, including the notes thereto.

Brief Overview of Our Business

We believe we are the world's largest producer of refined lead and we are also the largest producer of refined lead in the United States, Europe and South Africa, in each case in terms of tonnes of refined lead sold. In 2019 approximately 88% (2018: 89%) of our lead production was recycled lead, which involves the manufacture of refined lead from scrap lead sources, primarily spent lead-acid batteries. In Europe, which is our largest market, we have an estimated market share of approximately 19% in terms of tonnes of recycled lead sold. Most of our customers are manufacturers of automotive batteries. We own 19 lead manufacturing facilities, located in the United States, Germany, the United Kingdom, France, Italy, Austria and southern Africa. In addition to recycled lead, we also generate significant additional revenue streams from producing a diverse range of other metals and products, including gold and silver at our primary smelter in Germany. We also maximise the value derived from our recycling operations by converting what would have been waste products into by-products that we sell or recycle as independent products. Our secondary smelters produce a number of non-lead by-products, including polypropylene, sodium sulphate and gypsum. We own battery collection and distribution companies in Europe. We achieved revenues of $612.0 million (2018: $551.9 million) and EBITDA (excluding exceptional operating expenses) of $25.7 million (2018: $10.0 million) during the three–month period ended 30 September 2019 and revenues of $1,797.2 million (2018: $1,939.6 million) and EBITDA (excluding exceptional operating expenses) of $79.6 million (2018: $80.5 million) during the nine–month period ended 30 September 2019. Cash and cash equivalents, before the effect of exchange rates, decreased by $4.8 million (2018: $70.3 million increase) in the first nine-months of 2019.

Explanation of Results of Operations

Revenue

We generate revenue principally through the sale of pure lead and lead alloys by our secondary and primary lead production operations. We also generate revenue through our production and sale of value-added lead products such as lead sheet, lead anodes, non-lead by-products and co-products (notably silver, gold and copper matte), as well as other secondary metals and metal products (specifically zinc and aluminium), plastics and minerals, by the collection of scrap batteries and the distribution and sale of new batteries. We seek to further maximise the value derived from our feedstock by improving upon and expanding our range of by-products from what would otherwise be waste from our recycling operations which could incur a disposal cost.

Lead Operations. Approximately 50% (2018: 36%) of our tonnage sold in the third quarter of 2019 and approximately 49% (2018: 35%) of our tonnage sold in the first nine months of 2019 was pursuant to sales contracts whereby we agree to deliver a minimum tonnage of a specified product to a certain customer location. The sales price is equal to a specified premium over the London Metal Exchange cash settlement price (the ‘‘LME price’’).

Explanation of Results of Operations (continued)

Revenue (continued)

Approximately 42% (2018: 44%) of our tonnage sold in the third quarter of 2019 and approximately 43% (2018: 42%) of our tonnage sold in the first nine months of 2019 was pursuant to tolling contracts, whereby we negotiate a fee to take a customer's scrap batteries and convert the scrap into pure lead and lead alloys. We bear the risks and rewards of the ownership of the scrap material and the related extracted material. These sales are accounted for on a “grossed-up” revenue basis since in substance the material has been purchased from the customer and an agreed quantity of finished product, not necessarily from the same feedstock, is subsequently delivered back to the customer. Under tolling contracts fees earned are equal to a fixed charge per tonne, although adjustment mechanisms for costs and lead prices are incorporated into some contracts. We are therefore not subjected to any significant exposure to fluctuations in either the raw material cost or the product sales price.

The remainder of our tonnage is sold on the spot market, i.e. not pursuant to term contracts. Spot market sales represented approximately 8% of our tonnage sold in the third quarter of 2019 (2018: 20%) and approximately 8% (2018: 23%) of our tonnage sold in the first nine months of 2019. The price of lead sales on the spot market is based on the LME price plus a premium that is competitively determined.

For our lead operations, we do not believe revenue is a meaningful measure of performance. Year on year changes in revenues will be substantially affected by changes in the LME price and foreign currency movements. However, the effects of changes in the LME price are mitigated by changes in our raw material costs, which are a substantial portion of our cost of sales. Our raw materials purchased are priced below the LME price and the price is generally correlated with the LME price. We believe that the key measures of our performance are (i) tonnage sold, (ii) our metal margin, calculated as the difference between the sales price per tonne (sold at a premium to the LME price) and our materials cost per tonne (acquired below the LME price) and (iii) our processing costs.

With regard to the price of lead, the main drivers are the availability of supply worldwide and demand from consumers. Surpluses and deficits are normally highly visible insofar as deficits result in a drawdown of LME warehouse stocks and surpluses are delivered to LME warehouses. Demand historically has been fairly stable. Supply has been less certain historically, giving rise to significant LME price movements. Asian production and consumption, increases and reductions in LME warehouse stocks, buying or selling by financial investors and volatile macro-economic conditions are all significant influences on the LME lead price. The following table shows the annual average LME lead prices in our key selling currencies (2019 prices are for the nine-month period ended 30 September):

	2013	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*
USD LME	$2,142	$2,096	$1,787	$1,871	$2,318	$2,244	$1,984
EUR LME	€1,612	€1,578	€1,610	$1,694	€2,054	€1,896	€1,766
GBP LME	£1,371	£1,272	£1,169	$1,393	£1,799	£1,677	£1,560

Explanation of Results of Operations (continued)

Revenue (continued)

Non-Lead Operations. We generate additional revenue through value-added processing of both the metal and non-metal by-products of our feedstock. We have increased our non-lead revenue through the development of processes that refine by-products of our lead manufacturing operations into saleable products, such as polypropylene compounds and sodium sulphate which provide revenue with little or no additional cost of sale other than the incremental cost of processing. Our primary smelter produces silver bullion with some gold content and copper-matte as co-products and sulphuric acid as a by-product. We also generate revenue from the provision of collection services for scrap batteries and the distribution and sale of new batteries.

Africa. Our African operations produce, in addition to lead and lead products, other metal products and secondary metals, specifically zinc and aluminium, as well as plastics products and minerals. The sales value for zinc and aluminium products are subject to the LME price for such metals. Sales prices for our plastics products in Africa are adjusted periodically to accommodate movements in raw material prices.

Cost of Sales

Our cost of sales comprises feedstock, raw material costs and processing costs. Our most significant cost of sales is feedstock, including lead-bearing scrap for use in our lead recycling operations, and lead concentrate for use in our primary lead smelting operations. In the third quarter of 2019, the cost of feedstock represented approximately 70% (2018: 69%) of revenue and in the first three quarters of 2019 about 68% (2018: 70%). Lead-bearing scrap arises from many sources, of which the principal source is scrap lead-acid batteries that have reached the end of their life cycle.

Other important categories of recycled feedstock include process scrap drosses and recycled scrap material from lead-acid battery manufacturers and other industrial sources and industrial batteries in a variety of forms. The cost of feedstock has historically fluctuated in general with the LME price. However, the supply/demand relationship in a given market may have an effect on the relationship between feedstock costs and the LME price. Cost of sales also includes mark-to-market gains and losses arising from our metals hedging activities.

Processing costs represented approximately 22% of revenue in the third quarter of 2019 (2018: 24%) and 23% (2018: 22%) for the first three quarters of 2019. Processing costs include labour, energy, maintenance, waste disposal, consumables, depreciation and other costs.

Labour and energy costs constitute the two largest components of our processing costs. Our labour costs are principally composed of the employment costs for the staff that work within our production operations. Efficiency and other initiatives have helped to mitigate inflationary increases in these areas.

Energy costs are dependent on the mix of fuels (natural gas, electricity, oxygen, diesel, etc.) specific to each operation, the rate of consumption in individual processes and operations and the local commercial environment for energy supplies. We also generate power in our Stolberg and MRU facilities through waste heat management systems and incineration. The power generated is consumed within the production processes and represents a significant saving over the equivalent purchases of energy that would otherwise be necessary. Our processing costs also include other variable and fixed costs, such as maintenance, waste disposal, consumables, depreciation and other costs.

Explanation of Results of Operations (continued)

Gross Profit

Our gross profit from our secondary smelting activities is largely a function of the relationship between our costs of converting scrap material into finished product (the processing cost) and the metal margin that we are able to secure through the difference between the cost of feedstock and the selling price we receive for our refined lead and alloys and value added lead products. Higher LME lead prices have historically tended to translate into higher gross profits through increased margins on feedstock. Conversely, lower lead prices have historically tended to translate into lower gross profits through reduced margins on feedstock. If we increase our production volumes, our unit costs of processing decrease. However, in the past several years we have seen increased competitive pressure on feedstock prices (particularly prices for scrap batteries) that has resulted in an increase in feedstock prices when measured as a proportion of the LME lead price, with a consequent reduction in our gross margin.

Our Stolberg facility produces primary lead, silver and other by and co-products. The issues influencing our primary plant's profitability in Germany include certain factors similar to those that influence our lead recycling plants, but additionally, global shifts in consumption of primary ore, especially from China, together with changes in precious metal prices and a greater impact from movements in foreign currency. Our primary lead smelting facility accounted for approximately 13% of our lead production during the third quarter of 2019 (2018: 10%) and in the first three quarters of 2019 approximately 12% (2018: 11%). The gross profit that we achieve is equal to the sales price of the refined lead, lead alloys and silver less the cost of the lead concentrate and other feedstock and the processing costs.

In our lead operations, we generate incremental gross profit through the processing and sale of by-products. By-products from the secondary operations include polypropylene compounds, sodium sulphate and gypsum. Our primary smelter produces silver, gold and copper-matte as co-products and sulphuric acid as a by-product.

Operating Expenses

Our operating expenses include distribution costs, administration costs and insurance, legal, professional and selling costs.

Exceptional Operating Expenses

We report exceptional items which do not form part of our normal operating activities as a separate line on the consolidated income statement and further detailed within Note 3 to the financial statements.

Explanation of Results of Operations (continued)

Net Finance Costs

The net finance costs for the first three quarters of 2019 principally reflects the interest on any drawings under our revolving credit facilities and trade financing agreements, the interest on South African bank borrowings and interest relating to operating lease liabilities, less interest earned on short-term cash deposits. Net finance costs also include amortisation of debt issue costs and interest on pension scheme deficits. Furthermore, net finance costs are also influenced by fair value and realised gains and losses on forward currency contracts, as well as currency swaps. Foreign currency gains or losses on amounts drawn under the revolving credit facilities are also included within net finance costs.

Drawdowns under the revolving credit facilities are at floating rates, whilst cash and cash equivalents are deposited with maturities of a maximum of three months. Our current investment strategy places a high level of emphasis on the security of deposits ahead of maximisation of yield. Future interest income is expected to fluctuate with changes in market rates.

Counterparty risk for cash on deposit is monitored continuously, with investment limits and maturity periods subject to formal approval every month. Counterparties selected must have a minimum “A” rating from both Moody’s and Standard & Poor’s.

Taxation

The tax expense reflects corporate income taxes payable by Group companies and includes deferred taxes. The effective tax rate (including payments in lieu of foreign taxes) for the first three months of 2019 is higher than the UK standard rate of 19.0% owing principally to higher tax rates in many overseas jurisdictions, disallowable expenses and unrecognised tax credits on tax losses in certain jurisdictions. Certain tax planning has been undertaken by the Group. For US tax purposes (and only for such purposes) the Company and its US subsidiaries have elected to adopt “pass-through” status with effect from 1 January 2003. The effect of this for the Group is that tax on the profits of the Group’s US subsidiaries is payable by the shareholders of the Company. The Group has entered into an agreement with its controlling shareholder whereby it will pay to its shareholders an amount equivalent to (but in no circumstances more than), and in lieu of, the tax that would have been paid if the Group’s US subsidiaries had not been “pass-through” entities and had been taxable in their own right. Any such payments are reflected as part of the tax charge in our financial statements. The impact of the pass-through arrangements may result in an increased tax burden for the Group based on recent changes in laws, tax practices and interpretations. The Group has estimated the impact of the current known changes and recognised uncertain tax provisions based on its best estimate given the information available. Further revocation of rulings or changes in practices, interpretations or law could result in an additional tax burden for the Group.

Explanation of Results of Operations (continued)

Capital Expenditures

We continually invest in property, plant and equipment in connection with our ongoing production operations. Approximately 34% (2018: 28%) of capital expenditure during the nine months ended 30 September 2019 relates to health, safety and environmental investment. The majority of our remaining planned expenditure, whether asset replacement or new investment, is expected to achieve returns in excess of our cost of capital.

Looking forward, we expect capital expenditures to be broadly in line with the level of annual depreciation, and will target increased returns on investment, operating cost reduction, expansion of value added product lines and health, safety and environmental compliance.

Seasonality

Our business as a whole is not subject to marked seasonality. The first quarter tends to reflect customer shut down periods in Africa and the third quarter reflects similar shutdowns in Europe. In 2018, the four quarters represented, respectively, 24.9%, 26.0%, 23.3% and 25.8% of our lead sales volume.

Acquisitions Affecting Comparability

On 3 April 2018, the Group acquired 100% of the share capital of PB-Piles, a French *société par actions simplifiée*. PB-Piles is an auto/motorcycle battery specialist with a strong on-line presence and two locations based in southern France. The results for the first quarter of 2018 do not include PB-Piles.

On 30 June 2018, the Group acquired 100% of the share capital of Politec S.r.l. a producer of technical polymers based in Bologna, Italy. This acquisition complements the Group's existing engineered plastics operations and is part of the Group strategic advancement aimed at expanding the Group's position as an engineered plastics leader for automotive and industrial sectors. The results for the first six months of 2018 do not include Politec S.r.l.

The effect of these acquisitions on the comparability of the Group's results for the three month and nine-month periods ended 30 September 2019 as discussed in the results of operations section are not significant.

Inflation

The general rate of inflation has been low in recent years. In Africa, although inflation has been higher than in the European Union and the United States, this has not had a major negative impact on our earnings.

Pensions

We receive IAS 19 valuations of pension liabilities and assets from our scheme actuaries on a quarterly basis. The effect of the valuation at 30 September 2019 is included in the consolidated statement of comprehensive income. We reported actuarial losses after tax of $1.8 million in the three–month period ended 30 September 2019 (2018: $nil million), and actuarial losses after tax of $3.6 million in the nine-month period ended 30 September 2019 (2018: $0.3 million gain). These gains and losses are a consequence of changes in asset values and actuarial assumptions and changes in the minimum funding obligation.

RESULTS OF OPERATIONS

The following table sets forth our results of operations for the periods indicated, in each case also expressed as a percentage of revenue.

	Three months ended 30 September				*Nine months ended 30 September*			
	2019	*% change*	2018		2019	*% change*	2018	
Average LME lead price per tonne	$2,029	*(3)%*	$2,102		$1,984	*(15)%*	$2,337	
Tonnes of lead sold 000's	190	*8.6%*	175		576	*3.4%*	557	
	2019 $ millions	*% of Revenue*	2018 $ millions	*% of Revenue*	2019 $ millions	*% of Revenue*	2018 $ millions	*% of Revenue*
Revenue	612.0		551.9		1,797.2		1,939.6	
Cost of sales:								
Cost of sales materials	(428.6)	*(70.0)%*	(380.7)	*(69.0)%*	(1,229.9)	*(68.4)%*	(1,352.2)	*(69.7)%*
Cost of sales expenses	(133.8)	*(21.9)%*	(133.9)	*(24.2)%*	(412.6)	*(23.0)%*	(421.3)	*(21.7)%*
Total cost of sales	(562.4)	*(91.9)%*	(514.6)	*(93.2)%*	(1,642.5)	*(91.4)%*	(1,773.5)	*(91.4)%*
Gross profit	49.6	*8.1%*	37.3	*6.8%*	154.7	*8.6%*	166.1	*8.6%*
Operating expenses	(43.8)	*(7.1)%*	(44.5)	*(8.1)%*	(133.6)	*(7.4)%*	(137.6)	*(7.1)%*
Group operating profit/(loss) pre exceptionals	**5.8**	***1.0%***	**(7.2)**	***(1.3)%***	**21.1**	***1.2%***	**28.5**	***1.5%***
Exceptional operating expenses	(2.3)	*(0.4)%*	(1.7)	*(0.3)%*	(3.8)	*(0.2)%*	(6.7)	*(0.3)%*
Group operating profit/(loss)	**3.5**	***0.6%***	**(8.9)**	***(1.6)%***	**17.3**	***1.0%***	**21.8**	***1.1%***
Total net finance (costs)/income	(1.2)	*(0.2)%*	1.1	*0.2%*	(4.2)	*(0.3)%*	(0.2)	*(0.0)%*
Profit/(loss) before tax	2.3	*0.4%*	(7.8)	*(1.4)%*	13.1	*0.7%*	21.6	*1.1%*
Tax expense	(4.3)	*(0.7)%*	(3.8)	*(0.7)%*	(16.9)	*(0.9)%*	(15.5)	*(0.8)%*
(Loss)/profit for the period	(2.0)	*(0.3)%*	(11.6)	*(2.1)%*	(3.8)	*(0.2)%*	6.1	*0.3%*
Attributable to:								
Equity holders of the Company	(2.0)	*(0.3)%*	(11.6)	*(2.1)%*	(3.8)	*(0.2)%*	6.1	*0.3%*
Non-controlling interest	–	*0.0%*	–	*0.0%*	–	*0.0%*	–	*0.0%*

Comparison of the three–month periods ended 30 September 2019 and 30 September 2018 (Restated accordingly per Note 1)

Revenue. In the three–month period ended 30 September 2019, revenue increased by $60.1 million, or 11%, to $612.0 million from $551.9 million in the equivalent period in 2018. The increase was primarily due to higher lead and silver sales volumes, increased silver prices, partly offset by a decrease in lead price.

- The lead price in the third quarter of 2019 averaged $2,029 per tonne compared with $2,102 per tonne in the third quarter of 2018, a decrease of 3%.
- The increase in revenue was also impacted by a negative translation effect on sales elements that were independent of the US dollar.
- The number of tonnes of lead sold increased by approximately 15,000 tonnes, or 8.6%. In 2018 lead and silver volumes were lower due to the five week maintenance shut-down at our primary smelter in Germany.

Cost of Sales. In the three–month period ended 30 September 2019, cost of sales increased by $47.8 million, or 9%, to $562.4 million from $514.6 million in the equivalent period of 2018.

- Cost of sales materials increased by $47.9 million, or 12.6% to $428.6 million primarily due to higher lead volumes. The effects of mark–to–market losses on outstanding hedging contracts of $5.8 million were included within cost of sales materials, compared with gains of $5.8 million in the equivalent period in 2018.
- Cost of sales expenses decreased by $0.1 million, or 0.1%, to $133.8 million. In 2018 an accrual of $2.0m was released in relation to potential taxes on purchases which were confirmed by the revenue authorities as not a valid payable of the company. The positive currency translation effect decreased costs by $3.6 million. The remaining net increase in expenses is mainly due to some increased labour and consumable costs, primarily as a result of inflationary increases.

Gross Profit. In the three–month period ended 30 September 2019, gross profit was $49.6 million, an increase of $12.3 million compared with the equivalent period in 2018 resulting from the factors described above.

Operating Expenses (including exceptional operating expenses). In the three–month period ended 30 September 2019, operating expenses decreased by $0.1 million, or 0.2% to $46.1 million from $46.2 million in the equivalent period in 2018. The decrease is attributable to the $1.7 million positive currency translation effect and a reduction in exceptional operating expenses (see Note 3).

Operating Loss/Profit. In the three–month period ended 30 September 2019, we incurred an operating gain of $3.5 million compared with an operating loss of $8.9 million in the equivalent period in 2018 which resulted from the factors described above.

Net Finance Costs. In the three–month period ended 30 September 2019, net finance costs increased by $2.3 million to a net cost of $1.2 million from a net income of $1.1 million in the equivalent period in 2018. This is primarily as a result of a $1.9 million refund of interest on taxation received in 2018 and $0.8 million interest on lease liabilities due to the adoption of IFRS 16 in 2019 (no prior year comparatives).

Tax Expense. In the three–month period ended 30 September 2019, the tax expense increased by $0.5 million to $4.3 million from $3.8 million in the equivalent period in 2018. This marginal increase is primarily due to the effects of applying a variety of tax rates pertinent to the mix of jurisdictions in which the profits are earned, partially offset by certain operations no longer recognising tax benefits on losses.

Loss for the Period. In the three–month period ended 30 September 2019, the loss in the period was $2.0 million compared with a loss of $11.6 million in the equivalent period in 2018 due to the factors described above.

Comparison of the nine–month periods ended 30 September 2019 and 30 September 2018 (Restated accordingly per Note 1)

Revenue. In the nine–month period ended 30 September 2019, revenue decreased by $142.4 million, or 7.3%, to $1,797.2 million from $1,939.6 million in the equivalent period in 2018. The decrease was primarily due to lower lead sales prices, partially offset by an increase in lead and silver volumes.

- The lead price in the first nine months of 2019 averaged $1,984 per tonne compared with $2,337 per tonne in the first nine months of 2018, a decrease of 15%.
- The decrease in revenue was also impacted by a negative translation effect on sales elements that were independent of the US dollar.
- The number of tonnes of lead sold increased by approximately 19,000 tonnes, or 3.4%. In 2018 lead and silver volumes were lower due to the five week maintenance shut-down at our primary smelter in Germany.

Cost of Sales. In the nine–month period ended 30 September 2019, cost of sales decreased by $131.0 million, or 7.4%, to $1,642.5 million from $1,773.5 million in the equivalent period of 2018.

- Cost of sales materials decreased by $122.3 million, or 9.0%, to $1,229.9 million primarily due to a decrease in feedstock prices. The effects of mark–to–market losses on outstanding hedging contracts of $5.5 million were included within cost of sales materials, compared with losses of $1.0 million in the equivalent period in 2018.
- Cost of sales expenses decreased by $8.7 million, or 2.1%, to $412.6 million. This decrease is attributed to a positive currency translation effect which decreased costs by $17.5 million, partially offset by some increased labour and consumable costs, primarily as a result of inflationary increases.

Gross Profit. In the nine–month period ended 30 September 2019, gross profit was $154.7 million, a decrease of $11.4 million compared with the equivalent period in 2018 resulting from the factors described above.

Operating Expenses (including exceptional operating expenses). In the nine–month period ended 30 September 2019, operating expenses decreased by $6.9 million, or 4.8% to $137.4 million from $144.3 million in the equivalent period in 2018. The decrease is largely attributable to a $6.9 million positive currency translation effect, a reduction in exceptional operating expenses (See note 3), partially offset by inflationary increases.

Operating Profit. In the nine–month period ended 30 September 2019, we achieved an operating profit of $17.3 million compared with an operating profit of $21.8 million in the equivalent period in 2018 which resulted from the factors described above.

Net Finance Costs. In the nine–month period ended 30 September 2019, net finance costs increased by $4.0 million to a net cost of $4.2 million from a net cost of $0.2 million in the equivalent period in 2018. This is primarily as a result of a $1.9 million refund of interest on taxation received in 2018 and $2.4 million interest on lease liabilities due to the adoption of IFRS 16 in 2019 (no prior year comparatives).

Tax Expense. In the nine–month period ended 30 September 2019, the tax expense increased by $1.4 million to $16.9 million from $15.5 million in the equivalent period in 2018. This increase is attributable primarily to a $1.9 million increase in provision in respect of anti-hybrid disallowances relating to 2017 and 2018, the effects of applying a variety of tax rates pertinent to the mix of jurisdictions in which the profits are earned, combined with certain operations no longer recognising tax benefits on losses, and partially offset by the decrease in profits as described above.

Loss for the Period. In the nine–month period ended 30 September 2019, the loss in the period was $3.8 million compared with a profit of $6.1 million in the equivalent period in 2018 due to the factors described above.

Liquidity and Capital Resources

Historically, we have funded our cash requirements from internally generated cash flow and available borrowing facilities. Our principal uses of cash have been our continuing capital expenditure programme and interest payments on our outstanding debt. In addition, we have made a number of acquisitions that have been financed with a combination of internally generated cash and external borrowings.

The Group aims to have sufficient committed borrowing facilities to cover its estimated peak borrowing requirements for at least the following twelve months. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, bank loans, finance leases and letters of credit.

As at 30 September 2019, we had four main credit facilities; a £75 million ($92.2 million) multi-currency committed borrowing base facility in Europe which expires in December 2021, a $50 million committed borrowing base facility for our US operations which expires in October 2020 and two secured borrowing base facilities for our South African subsidiary, the aggregate of which, as at 30 September 2019, was Rand 206.8 million ($13.7 million). Our £75 million ($92.2 million) multi-currency committed borrowing base facility in Europe replaced the previous facility in December 2018. Interest on these facilities is at a margin above the applicable EURIBOR, LIBOR or South African prime rates.

As at 30 September 2019, we had $107.1 million of borrowings under these credit facilities and a further $16.0 million utilized under letters of credit and guarantees. We had the ability to borrow a further $32.8 million available under the credit facilities described above. The Group had cash and cash equivalent balances of $242.5 million and overdrafts of $10.7 million at 30 September 2019.

In addition to the credit facilities described above, we have three US dollar denominated trade financing agreements, of which at 30 September 2019 $60.4 million had been utilized.

We consider that our credit facilities are sufficient for our present requirements. The Group's facilities are subject to certain covenants and conditions, including change of control provisions.

The following table shows our sources and uses of funds for the three–month and nine-month periods ended 30 September 2019 and 30 September 2018 (Restated accordingly per Note 1).

	3 month period ended 30 September *2019 $millions*	*3 month period ended 30* September *2018 $millions*	*9 month period ended 30* September *2019 $millions*	*9 month period ended 30* September *2018 $millions*
Net cash flows from operations	5.8	56.9	12.3	169.2
Income taxes paid	(3.1)	(5.4)	(8.0)	(14.2)
Net cash flows from investing activities	(13.3)	(16.6)	(39.7)	(45.2)
Net cash flows from financing activities	1.8	(9.3)	30.5	(39.5)
Changes in cash and cash equivalents[1]	(8.8)	25.6	(4.8)	70.3

[1] Cash and cash equivalents includes short–term deposits and overdrafts and is stated before the effects of exchange rate adjustments.

Comparison of sources and uses of funds for the three–month period ended 30 September 2019 and 30 September 2018 (Restated accordingly per Note 1)

Net Cash Flow from Operations

Cash inflow from operations decreased by $51.1 million in the third quarter of 2019 to $5.8 million inflow compared with a $56.9 million inflow in the third quarter of 2018. Operating profits before interest and tax increased by $12.4 million, to an operating profit before interest and tax of $3.5 million.

- Inventories increased by $37.1 million in 2019 compared with an increase of $10.6 million in 2018.
- Receivables increased by $18.4 million in the current quarter compared with a decrease of $52.4 million in 2018. The changes reflect changes in sales volumes, prices and the timing of customer receipts.
- The timing of purchase payments resulted in the $30.8 million increase in payables in the third quarter of 2019 against a $12.5 million increase in payables in 2018.
- Non-cash losses on mark-to-market outstanding contracts were $5.8 million in 2019 compared with $5.8 million of gains in the third quarter of 2018.

Income Taxes Paid

Income taxes paid were $3.1 million in the third quarter of 2019, compared with $5.4 million in the third quarter of 2018. The timing of tax payments is not necessarily reflective of the profits earned in a particular period.

Net Cash Flow from Investing Activities

Cash outflows from investing activities decreased by $3.3 million in the third quarter of 2019 compared with the third quarter of 2018. This comprised of a decrease in capital expenditure of $8.1 million, partly offset by a $3.3 million reduction in interest received, with the prior year benefiting from a $1.9 million refund of interest in respect of taxes and $1.4 million of a reduction in receipts from sale of property, plant and equipment.

Net Cash Flow from Financing Activities

Cash outflows from financing activities reduced by $11.1 million in the third quarter of 2019 compared with the third quarter of 2018. This was primarily due to the net drawdown/repayment in loans and trade financing of $18.0 million, a net reduction of $4.9 million in new loans acquired and differences in exchange rates affecting the settlements of foreign exchange contracts, which are included within net interest paid.

Comparison of sources and uses of funds for the nine–month period ended 30 September 2019 and 30 September 2018 (Restated accordingly per Note 1)

Net Cash Flow from Operations

Cash inflow from operations decreased by $156.9 million in the first three quarters of 2019 to $12.3 million inflow compared with a $169.2 million inflow in the first three quarters of 2018. Operating profits before interest and tax decreased by $4.5 million.

- Inventories increased by $62.1 million in 2019 compared with a decrease of $29.6 million in 2018. The increase in inventories in 2019 is primarily due to higher value precious metal inventory and higher volumes of lead and concentrates on hand.
- Receivables increased by $14.9 million in 2019 compared with a decrease of $82.4 million in 2018. The changes reflect changes in sales volumes, prices and the timing of customer receipts.
- The timing of purchase payments resulted in the $6.5 million increase in payables in the first three quarters of 2019 against a $16.0 million decrease in payables in 2018.
- Non-cash losses on mark-to-market outstanding contracts were $5.5 million in 2019 compared with $1.0 million of losses in the first three quarters of 2018.

In 2018 a $5.5 million additional contribution was made to the UK defined benefit pension scheme.

Income Taxes Paid

Income taxes paid were $8.0 million in the first three quarters of 2019, compared with $14.2 million in the first three quarters of 2018. The timing of tax payments is not necessarily reflective of the profits earned in a particular period.

Net Cash Flow from Investing Activities

Cash outflows from investing activities decreased by $5.5 million in the first three quarters of 2019 compared with the first three quarters of 2018. This was predominantly due to a $7.4 million outflow in respect of the Politec acquisition (which occurred in 2018), a decrease of $4.1 million in capital expenditures partly offset by a decrease in interest received of $6.0 million.

Net Cash Flow from Financing Activities

Cash inflows from financing activities increased by $70.0 million in the first three quarters of 2019 compared with the first three quarters of 2018. This was primarily due to the change year on year in net drawdown in existing loans and trade financing of $75.8 million. Interest on lease liabilities accounted for $6.5 million cash outflow in 2019 following the adoption of IFRS 16. In 2018, lease payments were categorised within working capital. The remainder has arisen from a net reduction of $1.7 million in new loan facilities combined with differences in exchange rates affecting the settlements of foreign exchange contracts, which are included within net interest paid.

Commitments and Contingencies

At 30 September 2019, there were capital commitments outstanding amounting to $14.8 million (2018: $11.5 million). Other contingencies are explained in Note 7 to the unaudited condensed consolidated financial statements.

Trend Information

Lead Consumption & Production

Global refined lead production and consumption are significant factors in the demand for our products and the prices we can achieve. Lead consumption and production vary across economic regions. The following table shows global and key regional lead consumption and production trends over recent years:

% movement	*Lead consumption trends*			*Lead production trends*		
Year-on-year	*2016*	*2017*	*2018*	*2016*	*2017*	*2018*
Global	3.0%	2.1%	0.6%	2.8%	1.2%	0.2%
Europe	3.7%	2.9%	1.2%	(0.2)%	1.1%	(-1.2)%
North America	1.7%	2.3%	2.1%	0.4%	0.3%	(0.6)%
Asia	3.6%	2.3%	0.1%	4.4%	1.5%	1.1%
China	3.0%	1.9%	(0.5)%	1.2%	0.0%	(0.3)%

Source: CRU - Lead Market Outlook August 2019

Lead Prices

LME lead prices are a significant factor in our profitability together with the cost of scrap batteries in relation to the LME lead prices and price premiums achieved in relation to LME quoted prices. Movements in exchange rates can also be a factor. The following table shows the currency annual average LME lead prices in our key markets (2019 prices are for the nine-month period ended 30 September):

	2013	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*
USD LME	$2,142	$2,096	$1,787	$1,871	$2,318	$2,244	$1,984
EUR LME	€1,612	€1,578	€1,610	€1,694	€2,054	€1,896	€1,766
GBP LME	£1,371	£1,272	£1,169	£1,393	£1,799	£1,677	£1,560

Source: LME - http://www.lme.com/metals/non-ferrous/lead/

Outlook

The average LME price for the third quarter of 2019 was $2,029, compared with $2,102 in the third quarter of 2018, a decrease of 3.5%. The LME price during the third quarter of 2019 trended higher than the second quarter of 2019 by $143 per tonne, or 7.6%. The LME lead price continued to improve through October and hit a year to date high of $2,286 but has trended lower to year-to-date levels in November. We believe the recent increases in price was partially inflated by a temporary shut-down of a competitor's smelter which has reduced the available global supply of lead. We still believe that the lead market is currently broadly in balance in our core operational regions.

Silver averaged $17.02 per troy ounce in the third quarter of 2019, compared to an average price of $15.00 per troy ounce for the third quarter of 2018 and $14.89 per troy ounce for the second quarter of 2019. The gold price has trended upwards in the third quarter of 2019, with the price averaging $1,474 per troy ounce compared to an average price of $1,213 for the third quarter of 2018. Subsequent to the quarter end, gold and silver prices have remained stable above those in 2018.

The market environment for the Group's secondary lead smelters was generally balanced during the third quarter of 2019. Higher LME prices experienced in the third quarter of 2019 had a positive impact on results but recent declines in LME prices could result in margin compression if this trend continues. This impact is more pronounced within our European division where toll conversion volume is significantly less than in the US.

The market environment for the Group's primary lead smelter during the third quarter of 2019 continues to remain challenging due to continued tightness in the concentrate markets. The concentrate market in 2019 is not expected to recover to pre-2018 levels, however, there have been positive indicators in the first nine months of 2019 suggesting an improvement in treatment and refining charges for the balance of the year on non-contracted feedstock. The six-week quadrennial maintenance outage in 2018 has yielded improved efficiencies and throughput and continues to have a positive impact on results.

Income streams from the Group's non-lead businesses, lead value-added products and battery distribution activities continue to provide meaningful income in addition to those generated by the Group's core activity of smelting and refining lead. The construction sector, our principal market for our European lead sheet business, remains challenging, both in the UK and France. The Group's recycled engineered plastic business has experienced weakness from a slowdown in the automotive sector which is a key industry for our engineered plastics and there has been reduction in export opportunities for certain engineered plastics.

The Group's battery distribution business in Europe continues to be augmented by the small strategic acquisitions made in recent years. Earnings for this business for the first nine months of 2019 were in line with 2018. Results have been positively impacted from improvements in product mix of high margin products which has offset the weakness in the UK market arising from some battery manufacturers choosing to sell directly to customers and buying groups.

The Group's African businesses continue to deliver positive results and the first nine months of 2019 showed improvement over the first nine months of 2018. We expect this positive trend to continue for the remainder of the year from improved market conditions.

The Group continues to build organisational capability and succession plans to effectively deliver its strategic imperatives.

The Group currently holds adequate levels of raw materials and is experiencing reasonable demand for its refined lead and other sales products.

Outlook (continued)

The Group has adequate levels of liquidity, sufficient to meet its day-to-day business needs, planned capital expenditure and debt obligations. In December 2018, the Group renewed its £75 million facility with its lending banks which continue to provide committed European bank facilities through December 2021. The Group also secured up to $53 million of precious metal financing in March 2019 to support the financing of our German primary smelter's feedstock material.

Global commodity prices and currency exchange rates have experienced a great deal of volatility since the middle of 2014, reflecting changing expectations for global growth, especially from China and other emerging markets. At this time, we expect stable demand for lead and those precious metals relevant to the Group. Commodity markets may face continued uncertainty if changes to enacted global trade tariffs are passed or new ones imposed.

Though markets can change quickly to create a more competitive environment for materials, the Group continues to make progress in its raw material sourcing strategy for primary and secondary lead feedstocks as well as related precious metal sources. Additionally, the Group continues to build relationships with its customers to offer secure regional supply. Along with its affiliate, RSR Technologies, Inc. ("RSR Tech"), the Group continues to search for ways to improve the performance of its lead alloys and enhanced ultra-refined lead products. The Group, together with RSR Tech, is working towards the identification and development of crown technology for the safe recycling of alternative battery chemistries including lithium-ion recycling, as well as improving production technologies, capacities and capabilities across the Group's plants. An initiative to uniquely position Eco-Bat with the goal to be a 'Zero Waste' producer in the circular economy is also progressing well.

In May 2019 RSR Tech was given the Battery Council International Sally Miksiewicz Innovation Award for Research & Development. The award is in recognition of two new product being brought to market SUPERSOFT-HYCYCLE™ and 009-PERFORMANCE GRID™. This is the culmination of RSR Tech's research into the fundamentals of lead battery charging and discharging and resultant use of ground-breaking alloy that can double cycle life and vastly reduce water consumption.

The eventual exit of the United Kingdom from the European Union, commonly referred to as "Brexit," has previously caused, and may continue to cause, significant volatility in our currency exchanges rates.

Off Balance Sheet Arrangements

We have no off balance sheet arrangements.

Tabular Disclosure of Contractual Arrangements

During the nine-month period ended 30 September 2019 there have been no material changes outside the ordinary course of the Group's business in the specified contractual obligations set out in our Annual Report to the Shareholders for the year ended 31 December 2018.

NOTE REGARDING FORWARD LOOKING FINANCIAL STATEMENTS

This report contains “forward-looking” statements. The words “anticipate,” “assume,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “project,” “risk,” “will” and other similar expressions that are predictions of or otherwise indicate future events or trends identify forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors that are in some cases beyond our control. These risks, uncertainties and factors may cause our actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements (and from past results, performances or achievements). Factors that may cause these differences include but are not limited to the risks described under “Risk Factors,” “Information on the Company” and “Operating and Financial Review and Prospects” within the Annual Report to the Shareholders.

You should not place undue reliance on these forward-looking statements because they reflect our judgement at the date of this report. Forward-looking statements are not intended to give any assurances as to future results. We will not normally publicly release any revisions we may make to these forward-looking statements that may result from events or circumstances arising after the date of this report or otherwise.