

Press release

Thursday, November 14, 2013

Interim report on the third quarter of 2013

ALBA SE announces close collaboration of its steel and metals recycling division and the waste management and recycling business of the ALBA Group

- + Management responds to declining sales and drop in earnings
- + Consolidated sales in the first nine months amount to EUR 1,3 billion, EBT EUR 9.47 million

Cologne. The listed environmental services provider and raw materials trader, ALBA SE, is to improve collaboration between its steel and metals recycling division and the classic waste management and recycling business of the ALBA Group on a successive basis. The Company announced this while presenting its figures for the third quarter of 2013. Both business areas are to be simultaneously managed by Joachim Wagner, member of the Board of Directors of the ALBA Group and Executive Director of ALBA SE, with immediate effect, for the national regions of North and South. "Our goal is to offer our customers all services from a single source. We will therefore increasingly present a comprehensive range of services from both business areas at our sites and coordinate logistics efficiently", said the Chairman of the Board of Directors, Dr. Axel Schweitzer. In doing so, the Company is responding to the continued poor market development of the European steel industry.

ALBA SE and its affiliated subsidiaries generated consolidated sales of EUR 1,301.42 million in the first nine months of 2013 (previous year: EUR 1,518.91 million). Earnings before shares in earnings in associated companies, interest and taxes (EBIT) amount to EUR 17.61 million as at September 30, 2013 (same period in the previous year: EUR 35.69 million), earnings before tax (EBT) totaled EUR 9.47 million (previous year: EUR 26.23 million). Adjusted for restructuring expenses to the value of EUR 5.63 million, EBIT amounts to EUR 23.24 million and EBT EUR 15.10 million.

EBIT for the third quarter of 2013 was EUR 6.07 million, lower than that of the third quarter of the previous year (third quarter of 2012: EUR 15.21 million); EBT suffered a similar fate, at EUR 3.83 million (same period 2012: EUR 12.88 million). Sales profits for the months July through September decreased to a consolidated EUR 424.76 million (same period 2012: EUR 463.91 million).

The balance sheet total has only changed minimally in comparison with December 31, 2012. The ALBA SE group remains involved in the financing of the ALBA Group. This guarantees that the ALBA SE group has sufficient liquid assets.

"The mildly positive development of the European steel industry projected for the second half of 2013 has failed to materialise. The current business year is therefore one of the worst in the entire scrap metal industry since the start of the 90s," said Schweitzer. The steel

industry is struggling with overcapacities, subdued demand and high pricing pressure. European steel makers are largely in the red. This situation has affected the business of the steel and metals recycling segment. The services segment also suffered the ever inadequate supervision of regulatory statutes of the Packaging Ordinance determined by law enforcement agencies.

The corporate portfolio of ALBA SE will be further reviewed in addition to the close collaboration of steel and metals recycling and the waste management and recycling business of the ALBA Group. "We are consistently pressing ahead with reorganisation by strengthening areas with unique selling points on the market, intensifying value creation and growth in promising business areas and cutting back on activities that are not in our strategic area," said Schweitzer.

Developments in the individual segments

The steel and metals recycling segment was operating in a persistently difficult market environment in the first three quarters of the current financial year with subdued demand and lower prices than in the first nine months of 2012. An increased scarcity of materials added to this. This situation was reflected in a clear decline in sales and earnings. The business area generated sales revenue of EUR 1,062.95 million (previous year: EUR 1,267.81 million).

3.3 percent less crude steel was produced in Germany in the third quarter of 2013 than in the same period in the previous year. According to information from the Wirtschaftsvereinigung Stahl (German Steel Association), this decline is based on an extraordinary accumulation of production downtime caused by repairs and plant closures, for example. 2.2 percent less crude steel was produced in Germany in total in the first nine months than in the same period in the previous year, 4.2 percent less in the EU 27. Demand for steel scrap in the EU 27 and Turkey was subdued. A strong euro also rendered exports more difficult.

The low demand for steel scrap lead to low prices. The average price for leading scrap type 2 amounted to EUR 297.00 in the first three quarters of 2013, in comparison with EUR 324.52 in the first nine months of 2012.

The prices of non-ferrous metals have been decreasing since the middle of February in spite of a short interim recovery and were at their lowest point this year at the end of June. The price of copper was even at its lowest point for three years in June. Prices recovered somewhat in the third quarter. The demand for non-ferrous metals was below that of the same period in the previous year.

The steel and metals recycling segment continued the announced process of portfolio optimisation in the third quarter. In order to be best positioned for further internationalisation, a new export terminal was acquired in the port of Amsterdam, which created new export opportunities for steel scrap and non-ferrous metals. Amsterdam will replace the previous export terminal in Dordrecht and is expected to be in operation as of January 2014. The sale of INTERSEROH NRW GmbH, Dortmund, which was executed on October 1, 2013, also served to optimise the portfolio.

Services segment sales decreased from EUR 258.29 million in the first nine months of 2012 to EUR 244.87 million in the first three quarters of 2013. The reasons for this are declines in sales in trade incorporating transport and sales packaging owing to poorer marketing conditions than in the same period in the previous year.

The waste management costs of the Interseroh dual system business unit increased on account of the decline in licensed, and therefore paid by manufacturers and importers, quantities of sales packaging of competitors.

The Interseroh recycling solutions business unit was able to increase its sales and earnings in comparison with the same period in the previous year by acquiring new clients in the field of facility management and by developing waste management at branches.

INTERSEROH Austria GmbH, Vienna/Austria, recovered its license to operate the collection and recovery system for packaging accumulating in the commercial sector. The Company had to accept declines in sales and earnings on account of the four-month break. Salaries for collection systems in Austria were also under pressure in 2013.

Developments in recovered paper and plastic prices have a direct influence on the course of business of business units through the marketing revenues of these individually. Low raw material sales revenues strained the results of highly marketed business units.

Outlook

The management is continuing to expect difficult economic framework conditions for the steel and metals recycling segment. Prices of steel scrap are expected to decline slightly with demand remaining constant in the fourth quarter, while non-ferrous metals are expected to be at a continued low price level with demand also remaining constant. The situation of the procurement market will remain tense. The management is assuming a decline in sales as well as a clear decline in pre-tax earnings for the 2013 financial year in comparison with the previous year.

Margin pressure in the services segment will also continue in the future. All in all, the management is expecting a reduction in pre-tax earnings and a shift in sales to the benefit of unregulated business areas.

On the whole, ALBA SE is expecting a decline in sales as well as a clear reduction in pre-tax earnings for the 2013 financial year in comparison with the previous year.

About ALBA SE:

ALBA SE is a subsidiary of the recycling services provider and raw material supplier ALBA Group. ALBA Group with its two brands – ALBA and Interseroh – has about 200 subsidiaries and equity holdings within Germany, Europe, the U.S. and Asia. With an annual turnover of approx. EUR 2.9 billion (2012) and about 9,000 employees,* ALBA Group is one of the leading recycling and environmental services companies as well as raw material providers worldwide.

** headcount / minority shareholdings included*

Further information on ALBA SE can be found at www.alba-se.com. Information on ALBA Group can be found at www.albagroup.de. All press releases of the ALBA Group may be subscribed to via RSS feed at www.albagroup.de/presse

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