

Press release

Friday, November 16, 2012

ALBA SE interim statement on the third quarter 2012:

ALBA SE Board of Directors: Decreasing demand for raw materials influencing revenues and earnings

- + EBIT and EBT in the third quarter nevertheless slightly higher than the previous year, though revenue for the first nine months and earnings are lower
- + Decreased demand for raw materials in Europe continuing
- + Adjusted contract portfolio increases earnings in the Services segment compared to the previous year; however, margins remain under significant pressure

Cologne. The Board of Directors of ALBA SE (until July 2, 2012: INTERSEROH SE) expects a further decline in demand on the raw materials markets in light of the European debt and economic crisis. "Far less is being produced in numerous European countries today than even a year ago. This is reflected directly in demand for raw materials and the supply of secondary resources and thus also reflects to some extent in our figures," said ALBA SE Chairman of the Board of Directors, Dr Axel Schweitzer, on the occasion of the publication of the third quarter results. As a listed subsidiary of the family business ALBA Group, ALBA SE consolidates steel and metals recycling, packaging recycling, waste prevention and recycling management activities.

In the first nine months of 2012, ALBA SE and its associated subsidiaries generated earnings before share of results of associates, interest and taxes (EBIT) of EUR 35.69 million (previous year: EUR 39,74 million). Pre-tax profits (EBT) amounted to EUR 26.23 million (previous year: EUR 33.50 million). Consolidated group revenue totalled EUR 1,518.91 million (previous year: EUR 1,743.76 million). Revenue between segments of EUR 7.19 million was consolidated (previous year: EUR 8.90 million). Inter-segment consolidations in EBIT totalled EUR 0.02 million (previous year: EUR 0.07 million), in EBT EUR 0.02 million (previous year: EUR 0.00 million).

In the third quarter of 2012, EBIT was slightly higher than in the same period of the previous year at EUR 15.21 million (third quarter 2011: EUR 14.04 million); likewise, EBT totalled EUR 12.88 million (previous year: EUR 12.19 million). The contribution made to revenue in the months July to September fell on a consolidated basis to EUR 463.91 million (previous year: EUR 615.51 million).

Schweitzer emphasised that the raw materials sector, and with it the secondary resources sector, are good early indicators for further economic development. "In Germany things are going comparatively well in a European context, but all European countries affected by crises are battling negative growth rates. This also puts a strain on German manufacturers as well as upstream and downstream industries such as the recycling sector, for example."

Steel consumption in European industry (EU 27) alone is expected to decline by 5.6 percent this year; in Spain and Italy, the decrease is expected to be as much as around 12 percent. According to Schweitzer, difficult conditions in the European steel industry as well as the

weakening growth dynamic in China also had a negative impact on the scrap metal collection and processing sector and, as expected, weighed heavily on revenue and earnings in the Steel and Metals Recycling segment.

In contrast, the Services segment recorded an increase in earnings. Fundamental to this, said Schweitzer, was the adjustment of the contract portfolio to remove low-return customer contracts. However, due to intensive competition in the German market, margins remain under considerable pressure.

Compared to the balance sheet date of December 31, 2011, working capital fell in the first nine months of the current year. The main reason for this is the reduction in inventories as well as declining prices and quantities in the Steel and Metals Recycling segment. As a result the balance sheet total and net debt also fell compared to December 31, 2011.

Developments in the individual segments

Since April, the Steel and Metals Recycling segment has been operating within an economically difficult market environment. As expected, low demand and lower prices depressed margins and earnings compared to the same period last year.

At EUR 1,267.81 million, revenue was down on the previous year's figure of EUR 1,369.43 million.

From the second quarter onwards, the general uncertainty concerning the development of the European debt crisis led to restrained steel demand and declining prices below those of the same period last year. According to the German Steel Association, in the period from January to September 2012, Germany produced 5 percent less crude steel than in the same period last year. As a consequence, the average warehouse selling price of the leading scrap type 2 fell from EUR 352.20 per ton in the period from January to September 2011 to EUR 325.10 per ton in the first nine months of 2012.

Prices for non-ferrous scrap metals were characterised by high volatility. In the third quarter of 2012, difficult conditions in the sales and procurement market could also be attributed principally to relatively weak growth in the Chinese economy, low levels of demand from many customers due to the uncertainty already mentioned, but also to the high level of ocean freight and the weak US dollar. As a result, exports of zinc, copper and brass decreased compared to the previous year.

Revenue in the Services segment for the first three quarters of the year totalled EUR 258.29 million (previous year: EUR 383.23 million). The decline in revenue was accompanied by an increase in earnings. Both were primarily caused by the adjustment to the customer portfolio to remove low-return customer contracts in the area of sales packaging in the fourth quarter of 2011.

Revenue and earnings from the transport packaging business unit remained at the same level as the same period last year due to stable economic circumstances in the first three quarters. In the deposit business, the insourcing of clearing services, logistics, marketing and "counting" for some customers resulted, as expected, in a reduction in revenue and earnings. The market for toner cartridges was placed under significant pressure by imitation cartridges. This was reflected in the fall in revenue and earnings figures. Revenue volumes in the reusable transport crate business recovered, with earnings significantly improved compared to the same period last year. The recycled resource business unit, producing custom-made high-quality synthetic granules from used plastics for the product requirements of its customers, recorded an increase in revenues and constant earnings.

Outlook

Since the start of the current financial year, the expectations of steel producers have markedly deteriorated. According to the World Steel Association, steel production in Europe will fall by 5 percent this year compared with 2011.

Price reductions are forecast in Europe for non-ferrous metals. Uncertainty surrounding economic and currency developments is continuing to have a negative impact.

Revenue and earnings in the Steel and Metals Recycling segment are expected to decline accordingly in 2012 compared to 2011.

Despite intense competition and declining prices in the raw materials markets, the Board of Directors are assuming earnings in the Services segment to continue making positive progress.

"The economic conditions are currently far from favourable globally. As a result, we are focused on demonstrating to our clients how they can increase earnings by using secondary resources in the crisis to save resources and at the same time, further optimising our own cost structure", said Schweitzer.

About ALBA SE:

ALBA SE is a subsidiary of the recycling services provider and raw material supplier ALBA Group. ALBA Group has with its two brands – ALBA and Interseroh – about 200 subsidiaries and equity holdings within Germany, Europe, the U.S. and Asia. With an annual turnover of 3.2 billion Euros (2011) and about 9,000 employees* ALBA Group is one of the leading recycling and environmental services companies as well as raw material providers worldwide. The operating activities of Interseroh focus on organising the recovery of packaging and products and on the sale of scrap metal. ALBA's operating activities focus on waste management services in municipal and commercial sectors, the sale of secondary resources, the development and operation of recycling and production plants as well as the design and performance of facility services.

** 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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