ALBA SE

Press release

Thursday, 14 August 2014

2014 Mid-year financial report of ALBA SE

ALBA SE: both segments end the first six months with positive results

+ Following losses in the first six months of the previous year, the steel and metals recycling business has recorded profits
+ EBT for Group up by 60 percent to 9.1 millions euros

Cologne. The listed environmental services provider and raw material supplier ALBA SE has seen significant improvements in its operating results in the first six months of 2014, despite market conditions remaining difficult. Both segments – services and steel and metals recycling – generated positive pre-tax results. Performance in the steel and metals recycling segment was particularly encouraging: the segment achieved a turnaround after negative results in the first six months of the previous year, generating positive results with lower turnover. Earnings before interest, tax, depreciation and amortisation and shares in profits of associated companies (EBITDA) also improved significantly in this segment.

Pre-tax results for the ALBA SE group as a whole rose by 60 percent in the first six months of the year to 9.1 million euros (previous year: 5.6 million euros). EBITDA was up slightly on the previous year's level at 21.5 million euros (previous year: 21.3 million euros). The 14.6 percent decrease in turnover to 748.7 million euros (previous year: 876.7 million euros) is largely a result of lower scrap prices and the sale of business shares.

Presenting the ALBA SE mid-year financial report, the **Chairman of the Administrative Board of ALBA SE, Dr Axel Schweitzer,** gave his view of performance. "These results clearly show that we are on the right track with the integration of the steel and metals recycling in the waste management and recycling divisions of the ALBA Group, and that our cost reduction and portfolio optimisation strategy is taking effect."

There was no significant change in the balance sheet total compared to 31 December 2013. It was down by 7.9 million euros to 477.1 million euros. The ALBA SE Group is still involved in the financing of the ALBA Group. This is ensuring that the ALBA SE Group has access to sufficient liquid assets.

ALBA SE shares were listed at 61.49 euros at the start of trading on the Frankfurt Stock Exchange on 2 January 2014. The highest price in the first six months was 63.00 euros and the lowest 58.00 euros. ALBA SE shares ended the last day in the period under review, 30 June, at 59.49 euros.

Segment performance in detail

Conditions in the steel scrap sector remained difficult in the first six months of 2014. Steelworks were operating at greater capacity but there was a rise in the use of primary raw materials: crude steel production in the German steel industry rose by 4.2 percent in the first six months of 2014 compared to the same period of the previous year. Production in

German steelworks rose to 90 percent capacity, after 85 percent for the same period of the previous year. Steel production in the European Union (EU 28) increased by 3.8 percent. Electric furnace steel production, which unlike the blast furnace process largely uses steel scrap, did not benefit from the more positive trend in steel production and was down on the same period of the previous year. As a result of low iron ore prices, production focussed on traditional steel production from iron ore.

Prices for steel scrap were therefore lower than in the same period of the previous year. For example, the average direct sales price for scrap type 2 fell from 305.7 euros per tonne in the first six months of 2013 to 279.2 euros per tonne in the first six months of 2014.

Non-ferrous metal prices stabilised compared to the same period of the previous year; however, they were on average around 6.0 percent lower than the previous year's levels.

Under these market conditions, the steel and metals recycling segment performed well. EBITDA and EBT were up strongly on the same period of the previous year. Turnover fell as a result of prices and of portfolio optimisation, from 719.3 million euros in the first two quarters of 2013 to 595.2 million euros in the first six months of 2014. The tonnage of scrap iron traded in the first two quarters of 2014 was 1,176 tto (tonnage from previous year adjusted for portfolio optimisation: 1,136 tto), and non-ferrous metals 171 tto (adjusted value from previous year: 169 tto), each up slightly on the volume traded in the same period of the previous year.

The services segment faced intense competition on both the sales and transport packaging recycling markets. This competition put pressure on margins and resulted in a significant reduction in EBITDA and EBT. Sales in the services segment in the first six months of 2014 were slightly below levels for the first six months of 2013 (162.0 million euros) at 155.0 million euros.

Turnover for the transport packaging business unit in the first six months of 2014 was at the same level as in the same period of the previous year. Sales in the sales packaging business were down only slightly, despite uncertainty surrounding the Dual System. The first six months on the sales packaging market were strongly affected by a funding gap in the Dual System following a historically low licensed volume. The funding gap was caused by self-managed take-back system models and so called sector solutions: while the volume of recycling collected from the Yellow Bin and the Yellow Bag remained constant, there was a continuous fall in the amount of packaging for which manufacturers and distributors bear the recycling costs.

The Recycling Solutions Interseroh business unit recorded a slight fall in turnover in the first two quarters of 2014. This was largely due to discounts awarded for contract extensions. Turnover from new client acquisition only partly made up for this decrease.

Outlook

The recovery of the EU steel business would still appear to be fragile in the second six months of 2014, one reason being the crisis in Ukraine. Current exchange rates are intensifying the competition. The price of iron ore is expected to remain at its current low level; traditional iron ore production is therefore set to account for an even greater proportion of steel production overall in the second six months of 2014.

The German Steel Federation (Wirtschaftsvereinigung Stahl) is expecting growth of 3.5 percent in global steel production in 2014. Production is expected to rise primarily in countries whose capacity can still be expanded.

Trade in non-ferrous metals stabilised in the second quarter and the forecast for the second six months of the year are for steady prices for both copper and aluminium, and for demand remaining at current levels.

The Management is therefore expecting only a slight fall in turnover in the steel and metals recycling segment in 2014 compared to 2013. EBITDA and EBT are expected to rise significantly in 2014.

For the services segment, the Management is expecting a slight rise in sales as a result of the planned expansion of the Interseroh Recycling Solutions business unit.

The Management is currently expecting only a slight decrease in turnover for the 2014 financial year as a whole for ALBA SE. EBITDA and EBT should rise significantly in 2014 compared to the previous year.

The half-year financial report is available at
http://www.albagroup.de/ALBASE/Quartalsbericht-2014-2

About ALBA SE:

ALBA SE is a subsidiary of the recycling services provider and raw material supplier ALBA Group. With its two brands – ALBA and Interseroh – ALBA Group operates within Germany, Europe, the U.S. and Asia. With an annual turnover of approx. 2.6 billion Euros (2013) and more than 8,000 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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