

Press release

Friday, August 14, 2015

2015 mid-year financial report of ALBA SE

Reorganisation plan effective - ALBA SE's result clearly positive

+++ Group generates earnings before taxes (EBT) of EUR 16.0 million in the first half of 2015 – which is an increase of 76 percent compared to the year before (1st half year of 2014: EUR 9.1 million). +++

+++ Revenue grows by almost 6 percent from EUR 748.7 million to EUR 792.6 million +++

+++ Management expects positive EBT at the end of the financial year +++

Cologne. The listed environmental services provider and raw material supplier ALBA SE has strongly improved its result over the first six months of 2015 as a consequence of the restructuring measures it has implemented and the realisation of the portfolio optimisation which the company had announced earlier. Earnings before taxes (EBT) rose by 76.2 percent to EUR 16.0 million compared to EUR 9.1 million in the first quarter of 2014. Earnings before interest, taxes, depreciation and amortisation and shares in profits of associated companies (EBITDA) improved to EUR 24.7 million in the first half of 2015 and were thus by more than 14 percent higher than the previous year's figure of EUR 21.5 million. Revenue grew by almost 6 per cent to EUR 792.6 million (previous year's value: EUR 748.7 million).

On the occasion of the presentation of the mid-year financial report, **Dr. Axel Schweitzer, Chairman of the Administrative Board of ALBA SE**, said: "In light of the persistently difficult economic conditions in the steel and metals recycling segment and the fierce competition in the services segment, we performed well in the first half year of 2015. This performance reflects clearly that our strategic new orientation is the correct approach and that our measures to reduce costs and optimise our portfolio have the desired effect."

The balance sheet total saw only a negligible increase compared to 31 December 2014. It rose by EUR 22.0 million to EUR 488.1 million. ALBA SE group is still included in ALBA Group's financing. It ensures that ALBA SE always has sufficient liquid funds available.

When the stock exchange opened on 2 January 2015, ALBA SE's share was quoted at EUR 51.25 in XETRA trading. The highest price during the first half year was EUR 56.50, the lowest EUR 49.08. At the end of the reporting period on 30 June 2015, ALBA SE's share closed at EUR 52.00.

Segment development in detail

Steel and metals recycling

The steel scrap industry was still characterised by difficult conditions in the first half of 2015. Global raw steel production fell by 2 percent compared to the same period in the year before. The electric steel production, which uses predominantly steel scrap contrary to the furnace procedure, experienced another decline in the period under review compared to the first six months of 2014 due to falling prices for the primary raw material of iron ore in the period under review. In Germany, this decline amounted to 3.6 percent. Steel scrap prices were consequently lower than the prices in the same period of the year before. For example, the average warehouse selling price of leading scrap type 2 dropped from EUR 279.20 per tonne in the first half year of 2014 to EUR 242.70 per tonne in the reporting period.

Apart from prices for aluminium which rose by 1.7 percent to USD 1,782 per tonne, prices for non-ferrous metals declined compared to the previous years' period but were stabilised by exchange rate effects. The average price for copper fell by 14.3 percent to USD 5,928 per tonne, while the average price for one tonne of nickel dropped by 17 percent to USD 13,677.

The difficult market situation in the segment put pressure on the margins and affected the result. However, the segment was able to overcompensate for these effects. The sale of locations and cost cuttings achieved through the reorganisation and efficiency enhancing programme led to an increase of the EBITDA. Another positive effect was that no new restructuring expenses were incurred in the first six months of 2015.

The EBT rose as well. In addition to the effects described above which resulted in an increase of the EBITDA, depreciation and amortisation and interest expenses dropped compared to the year before.

Revenue was up from EUR 595.2 million in the first six months of 2014 to EUR 621.4 million in the first half year of 2015. Reasons for this rise were a higher number of traded tonnes of non-ferrous metals and higher prices for aluminium. And the revenue rose due to exchange rate effects in particular regarding copper which were the result of the weak Euro. This trend overcompensated the lower revenue achieved with the trade in iron scrap quantities.

In the first two quarters of 2015, the traded quantity of iron scrap of 1.12 million tonnes was only negligibly below the quantity traded in the comparative period (1.18 million tonnes), the volume of traded non-ferrous metals amounted to 183,000 tonnes and was slightly up by 12,000 tonnes. Taking into account the portfolio optimisation performed in the second half of 2014, ALBA SE was able to increase the traded iron scrap volume by 134,000 tonnes and the marketed volume of non-ferrous metals by 19,000 tonnes.

Services

In the first six months of 2015, the services segment generated revenue of EUR 172.1 and thus significantly more than in the previous year (1st half year 2014: EUR 155.0 million).

Revenue generated by transport packaging in the first six months of the reporting period was at the level of the previous year. The fierce competition and the price discounts which needed to be granted to customers on account of this situation combined with lower proceeds from raw material marketing were compensated by late registration, a positive trend in orders on hand and new contracts.

In the first half year of 2015, the sales packaging business achieved a significant rise in revenue. Reason for this trend is the higher volume of licensed packaging, caused by the seventh amendment of the Packaging Ordinance. The volume of licensed light packaging in yellow bins/yellow bags for which the recycling charge was duly paid went significantly up after this amendment took effect. This positive development is confirmed by the volume registered for the third quarter of 2015.

On July 27, 2015, the operators of the dual systems additionally signed a new volume clearing contract and thus implemented a revised draft prepared by the Länderarbeitsgemeinschaft Abfall (Work Group of the Federal States for Waste - LAGA) regulating the verification of volume reports made by brokers and trading companies. The system operators thus make another contribution to optimising and safeguarding the disposal of packaging from households organised by private companies.

The Recycling Solutions Interseroh service (management of waste collection from branches, warehouses and production sites and marketing of the raw materials gained) was able to moderately raise its revenue, despite lower proceeds from the marketing of raw materials, thanks to new orders.

Another positive effect came from the liberalisation of the Austrian market for recycling of sales packaging.

Both the EBITDA and the EBT segment exceeded the values of the previous year at the end of this year's first half. Business model-related effects from other accounting periods which arose in the operating system business dropped significantly but were overcompensated by positive effects from additional volumes of licensed packaging in the sales packaging recycling business in Germany and Austria.

Outlook

At the beginning of the financial year, the World Steel Association still assumed that the global demand for steel would rise by 2 percent. In the meantime it has corrected this figure to 0.5 percent. Main reason being the declining demand from China. But, the country still wishes to maintain its production capacities. So it will offer any excessive quantities arising from this trend at lower prices on the world market, thus causing a negative effect on the world market prices and burdening the global steel market. Analysts forecast for 2015 that Chinese steel exports will be up by 25 percent. Some steel producers even plan with an increase by 50 percent.

Risks for the European steel market come also from Russia. The economic decline in this country will lead to higher exports to the EU.

It is to be assumed that the iron ore price will remain low. Despite this price collapse, major mine operators still wish to continue accelerating the mining to drive smaller providers out of the market.

Stable prices are expected in the trade with non-ferrous metals.

Against this backdrop and based on the developments in the first half year of 2015, the management still expects a negligible decline of the traded volume of iron scrap but a slight rise of the traded volume of non-ferrous metals for the entire financial year of 2015. Revenue will marginally rise in 2015 compared to 2014. The segment expects an extraordinary increase of its EBITDA and EBT to the end of 2015.

For the services segment, the management expects a moderate increase of the revenue compared to the previous year, mainly due to the price drops for foils and PET.

And it expects a slight rise of the EBITDA and EBT compared to 2014. Reasons are the positive effects from additional licenses in sales packaging recycling in Germany and Austria and the positive business model-related effects from other accounting periods in the operating system business.

In total, ALBA SE expects a slight revenue increase for the financial year 2015 and a strong increase of the EBITDA compared to 2014. Toward the end of the financial year, the management again expects a positive EBT which will have equally strongly improved. This would confirm the turnaround for the entire year.

The mid-year report in German language is available under:
<http://www.alba.info/ALBASE/Quartalsbericht-2015-2>

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 2.45 billion Euros (2014) and about 8,000 employees ALBA Group is one of the leading recycling and environmental services companies as well as raw material providers worldwide. In 2013 alone ALBA Group saved more than 7 million tonnes of greenhouse gases compared to primary production and at the same time about 51 million tonnes of primary raw materials through its recycling activities.

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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