

# Press Release

Friday, November 13, 2015

## Interim report on the third quarter of 2015

### Portfolio optimisation delivers results: ALBA SE boosts earnings despite ongoing difficult market situation in steel and metals recycling

+++ Group generates in the first nine months of 2015 earnings before taxes (EBT) of EUR 26.9 million – an increase of more than 90 percent on the previous year (previous year's period: EUR 14.0 million) – on nearly 7 percent lower revenue +++

Cologne. The listed environmental services provider and raw material supplier ALBA SE increased earnings before taxes (EBT) in the first three quarters of 2015 – on lower revenue than in the same period last year – from EUR 14.0 million to EUR 26.9 million. Earnings before interest, taxes, depreciation and amortization and shares in profits of associated companies (EBITDA) came to EUR 39.2 million, compared with EUR 32.4 million in the same period a year earlier. Revenue amounted to EUR 1,099.5 million (previous year's period: EUR 1,176.0 million).

On presentation of third quarter 2015 figures, **Dr Axel Schweitzer, Chairman of the Administrative Board of ALBA SE**, said: "The steel and metals recycling segment faced tough conditions with a further fall in scrap demand and prices. In the services segment, on the other hand, the seventh amendment of the German Packaging Ordinance helped stabilise the quantities of lightweight packaging which were registered in the Dual system and for which license fees were duly paid."

Third-quarter EBITDA was EUR 14.5 million in 2015 (Q3 2014: EUR 10.9 million). EBT was just short of EUR 11 million, higher than the EUR 4.9 million recorded a year earlier. Revenue for the three months July to September, at EUR 306.9 million, was down on the previous year's level (Q3 2014: EUR 427.3 million).

#### **Segment performance in detail**

##### *Steel and metals recycling*

The hard conditions on the steel scrap market continued in the third quarter unabated. Persistent low iron ore prices meant that more steel was produced from primary resources. Electric arc furnace steelmaking, which unlike blast furnace steelmaking mostly uses steel scrap, was consequently once again down on the previous year's period. As a result, prices for steel scrap were likewise lower than in the same period a year earlier. The average ex-yard sale price of Grade 2 light scrap, for example, dropped from EUR 275.97 per tonne in the first three quarters of 2014 to EUR 237.80 per tonne in the first nine months of 2015.

Non-ferrous metal prices likewise fell steeply in the reporting period. While the price for a tonne of aluminum decreased by 6.3 percent compared with the comparative period to USD 1,717, the price of a tonne of copper fell by nearly 18 percent to USD 5,701. The nickel price slid by 26.7 percent to USD 12,619 per tonne.

The difficult situation squeezed margins and held back earnings. The segment was more than able to make up for these impacts, however. Sales of yards, the disposal of the Balkan Group and of the stake in the TOM Group (Poland) announced at the annual press conference in April and completed in the third quarter, and cost reductions from the reorganization and efficiency enhancement program all made for a rise in EBITDA. EBT likewise increased. Besides the factors mentioned, depreciation and amortization and interest expenses were down on the previous year. Mainly because of price movements and the portfolio streamlining, revenue decreased from EUR 938.8 million in the first nine months of 2014 to EUR 842.4 million in the first three quarters of 2015.

### *Services*

Revenue in the services segment was EUR 258.4 million in the first three quarters of 2015, compared with EUR 238.7 million in the first nine months of 2014. Transport packaging recycling revenue was on a par with the previous year's period. A positive trend in orders on hand and new contracts was countered by fierce competition and consequently discounts for customers and by lower revenue from selling raw material.

The seventh amendment of the Packaging Ordinance in force since the beginning of the financial year made for an increase in sales packaging recycling revenue compared with the previous year's period. This contrasted with a steep drop in raw material prices. Clearing contracts were modified and signed under the Dual Systems Joint Office. Modified checks that apply from audit year 2016 will help further stabilize the market. Revenues gained a strong boost from liberalization of the Austrian sales packaging recycling market.

The Recycling Solutions Interseroh service (management of waste collection from retail outlets, warehouses and production facilities and marketing of the acquired raw materials) was able to partially make up for a steep drop in revenue from PET marketing compared with the same period a year earlier. The main factor in this was business development in contracts on hand.

ALBA SE expanded its licensing business on the Polish market and pushed its market share in packaging recycling there above 20 percent with the September 2015 acquisition of Polski System Recyklingu Organizacja Odzysku Opakowań SA (PSR), Warsaw. The PSR acquisition is part of the ongoing optimization process across the ALBA SE Group.

The balance sheet total was slightly down on December 31, 2014, mainly thanks to the sale of the TOM Group and the Balkan Group. The ALBA SE Group continues to be included in the ALBA Group's financing arrangements. This makes sure that the ALBA SE Group has sufficient liquid funds at its disposal.

### **Outlook**

Despite the harsh conditions facing the steel and metals recycling segment, Management anticipates only a slight decrease in the traded volume of ferrous scrap and in non-ferrous metal quantities. Adjusted for the quantities involved in the portfolio streamlining, ferrous scrap volumes will be around the same levels as the previous year, while non-ferrous metals will see a slight decrease. Revenue will also be slightly down in 2015 relative to 2014. The segment continues to expect an exceptionally strong increase in EBITDA and EBT through to the end of 2015.

In the services segment, Management expects that revenue will show a moderate increase on 2014. EBITDA will be around the same level as in the previous year, while EBT will rise slightly.

In total, for financial year 2015 as a whole, ALBA SE anticipates a marginal decrease in revenue and a strong increase in EBITDA compared with 2014. Management expects that EBT will be back in positive figures and will likewise show a strong increase as of the financial year-end.

#### **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 EUR 2.45 billion (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 2014 alone ALBA Group saved about 6.6 million tonnes of greenhouse gases compared to primary production and at the same time more than 48.3 million tonnes of primary raw materials through its recycling activities.

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

We also publish an online portal with information on raw materials and recycling: [www.recyclingnews.info](http://www.recyclingnews.info).

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