

Press Release

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ALBA SE Annual Financial Press Conference 2014

Groundwork done to ensure a forward-looking structure for ALBA SE

- + Corporate group interlinks waste management and scrap division and in so doing wants to create a new industrial standard
- + Costs for restructuring and unscheduled depreciations on goodwill and holdings affect the 2013 result
- + Sales revenues fall to 1.7 billion Euros, adjusted EBT to 10.5 m. Euros

Cologne. In 2013, publicly quoted environmental services provider and raw materials trader ALBA SE successfully completed the groundwork required for the reorganisation of the corporate group. Such was the communication relayed by Chairman of the Board of Directors of ALBA SE, Dr Axel Schweitzer, on the occasion of the annual financial press conference. As Schweitzer commented: "Before a background of radically changing markets, in 2013, we invested strongly in the realignment of our corporate group and we will continue with our reorganisation process in 2014. The cornerstones of this strategy are a networking of the classic business areas of waste management and plastic/paper recycling with the area of steel and metals recycling, and connected with this, a further optimisation of our portfolio and our continued internationalisation." The goal of management is to gain new customer groups through a wider positioning, to optimise the logistics and business processes, and to thereby achieve superior gross profits.

The results of the 2013 financial year:

Over the course of the last year, ALBA SE and its associated subsidiary companies achieved a consolidated sales volume of approximately 1.7 billion Euros (comparative value from the previous year: 1.9 billion Euros). On 31 December 2013, the earnings before interest, taxes, depreciation and amortisation (EBITDA) totalled 26.2 million Euros (previous year: 68.1 million Euros).

The EBT was affected by restructuring costs totalling 12.1 million Euros as well as depreciations on goodwill according to the IFRS accounting regulations totalling 34.6 million Euros and depreciations on holdings totalling 5.9 million Euros.

When adjusted for these effects, last year ALBA SE achieved an earnings before tax (EBT) totalling 10.5 million Euros. The adjusted EBITDA totals 38.3 million Euros.

When unadjusted, the EBT total minus 42.1 million Euros (previous year: 37.8 million Euros).

Schweitzer sees German packaging ordinance as being in urgent need of amendment

Schweitzer stated that the increasingly urgent situation with the dual systems was the topic dominating the market in Germany. Schweitzer criticised the fact that more and more manufacturers and retailers were shirking their obligations for proper recycling: "This situation is resulting in a form of competition with partially market-distorting conditions. I urgently appeal to the political decision makers that in the scope of its seventh amendment, they finally close the loopholes in the packaging ordinance." This would involve abolishing the self recovery and stricter rules for the sector solutions. At the same time, Schweitzer called for refraining from bringing into question a system that works well with high recycling rates simply due to the fraudulent behaviour of certain individuals. "Our problem isn't that the yellow bins aren't being collected, nor is it a quality-related matter – the problem

is actually the simple question of ensuring the participants comply with their payment obligations once again."

The volume reports for the first two quarters of 2014 showed how important it is for the lawmakers to take action. According to the volume reports, the licensed volume of lightweight packaging (LP) only totalled just under 760,000 tonnes. In comparison with the first half of 2013, this means that another 28 per cent of the volumes of LP have been checked out. At the same time, the self recovery volume rose by 219 per cent. Extrapolated to the whole of 2014 that means that with 2.4 million tonnes being gathered via the yellow collection systems, only a third of the recycling is actually being paid for.

Internationalisation continues

Schweitzer highlighted that the group will continue to align itself internationally. In 2013, investments were made in a new deep sea terminal in Amsterdam with which ALBA SE is now able to export scrap steel, metal as well as paper and plastics worldwide. The terminal is a good five times bigger than the previous export terminal in Dordrecht. The new site has storage space for 200,000 tonnes of material and ships with a loading capacity of up to 50,000 tonnes can be processed there.

Development of the individual segments

The global overcapacity in the steel industry, the huge European steel crisis and the sustained pressure on prices all impacted on the collection and preparation of scrap steel in the year under report. Business with non-ferrous metals saw weak demand, with lower prices than the previous year. The procurement side saw material shortages, putting pressure on margins.

In this context, sales in the steel and metals recycling segment fell from 1.6 billion Euros in 2012 to approx. 1.4 billion Euros in the 2013 financial year. The EBITDA fell from 32.9 million Euros in 2012 to minus 0.5 million Euros. This was primarily caused by the higher purchase prices that resulted from the material shortages, which when combined with the price pressure on the sales side, led to lower margins. The EBITDA was also impacted by the effects of the restructuring. When adjusted for the restructuring costs, the EBITDA totals 11.6 million Euros. The EBT fell from 3.2 million Euros to minus 66.7 million Euros. In addition to the effects of the restructuring, depreciations also affected the goodwill. When adjusted for the restructuring costs and the depreciations, the EBT totals minus 14.1 million Euros.

Growth in Germany has been sustained to a great extent by public and private consumption. Increases in private consumption faced intense competition in both the sales packaging and transport packaging recycling markets. This competitive situation put pressure on the margins. In the sales packaging market, the year under report was especially characterised by an increasingly urgent situation in the area of the dual systems. In the year under report, many customers invested in machines such as presses or shredders and thereby became independently responsible for their previous recycling services. This led to a fall in the service volume in certain segments of the recycling market.

In the services segment, sales revenues fell from 330.9 million Euros to 315.0 million Euros. The EBITDA totals 26.6 million Euros (in the previous year 35.3 million Euros); the EBT 24.5 million Euros (in the previous year: 34.6 million Euros).

Outlook

In the current financial year, management expects the challenging conditions to continue in the markets in which ALBA SE and its subsidiary companies are active.

For Germany, the experts are predicting a stagnation in crude steel production in total of 43.0 million tonnes after 42.6 million tonnes in 2013. Due to the planned participation of autonomous industrial power generation in the financing of subsidies for renewable energies and the possible ban on the compensation scheme that forms part of the German renewable energy act (EEG) levy, however, this expectation is associated with considerable uncertainties. Globally, the association of the steel industry is forecasting growth in steel production to total 3.5 to 4 per cent, mainly in Asia, Turkey and Russia.

No improvement is currently forecast for German trade with non-ferrous metals in the first quarter. The experts are cautiously optimistic for the second quarter onwards. This also applies with regard to the forecasts for the European sales market which will remain weak in the first half of the year. No further growth is currently expected in Asia. Demand is set to remain at the same level.

In 2014, the management of ALBA SE is expecting to see a further intensification of the competition in the market for packaging recycling in the services segment. In the services segment, the focus is on the further development of new areas of business, in new markets as well as the further internationalisation.

"Before this background, we will continue with the restructuring of the group, interlinking segments closely, and continuing with the internationalisation," explained Schweitzer. In the steel and metals recycling segment, this not only applies to the sales market, it also applies to the procurement markets.

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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