

# Press release

Friday, 12 August 2016

## ALBA SE mid-year financial report 2016

# ALBA SE: Positive result despite continuing crisis in the steel market and falling prices for non-iron metals

- + Group generates earnings before taxes (EBT) of EUR 11.7 million
- + Turnover after six months amounted to EUR 491.1 million
- + Management expects a noticeable plus in earnings before taxes up until the end of the year

Cologne. Despite the extremely difficult framework conditions in the steel and metals recycling segment the publicly quoted environmental services and raw material provider ALBA SE generated earnings before taxes of EUR 11.7 million (compared to EUR 16 million during the same period the year before) in the first six months of 2016. Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to EUR 16 million (previous year's value: EUR 24.7 million).

On the occasion of the presentation of the mid-year financial report, the **Chairman of the ALBA SE Administrative Board, Dr Axel Schweitzer**, said: "We have managed to improve the margins in the steel and metals recycling segment through our in-depth value-adding measures in conjunction with our structural cost reductions. The continuing crisis did, however, lead to a strong decline in the volumes being traded, and as result, to a significant reduction in the gross profit."

The revenues in the first half of 2016 fell compared to the first six months of 2015 by around EUR 301.5 million (-38 per cent) to EUR 491.1 million. While the revenue generated in the services segment increased a strong fall in revenues in the steel and metals recycling segment occurred due to a weak market demand and the low price levels.

Compared to the 31st of December 2015, the balance sheet total fell by EUR 43.4 million to EUR 401.5 million. The equity capital ratio could be increased from 25.6 per cent to 31.6 per cent. The ALBA SE group continues to be incorporated in the financing of the ALBA Group. This guarantees that the ALBA SE group has sufficient reserves of liquid assets at its disposal.

The price of ALBA SE shares when XETRA trading was opened on the 4th of January 2016 was quoted at EUR 51.98. The share price reached its highest point of EUR 53.22 a share in the first six months of the year, the lowest share price was EUR 47.39. At the end of the reporting period on the 30th of June 2016, the ALBA SE share price finished trading at EUR 48.20.

### **Segment development in detail**

#### *Steel and metals recycling*

The global production of raw steel fell by 1.9 per cent compared to the same period the year before. The production across the EU fell by 6.1 per cent, in Germany by 2.1 per cent. While the German steel production using iron ore only fell by 0.1 per cent, the electric-furnace steel production, which predominantly uses scrap steel, fell by 3.1 per cent. Despite the drop in its own steel requirements, China increased its steel production in April 2016 to a historic level. As a consequence, Chinese exports on the global market increased significantly.

According to the Federal Association of German Steel Recycling and Disposal Companies (BDSV), the average ex-warehouse selling price for leading scrap type 2 in the first six months of the year was EUR 166.60 per tonne, meaning it was EUR 50 below the average price of EUR 216.60 compared to the same time period the year before. The average price for aluminium fell by 13 per cent to USD 1,544 US per tonne, while the average price for a tonne of copper fell by 20.7 per cent to USD 4,701 US, and the average price for a tonne of nickel fell by 36.6 per cent to USD 8,662 US.

The steel and metals recycling segment at ALBA SE did not remain unaffected by these extremely difficult framework conditions. The traded quantity of iron scrap was 695,000 tonnes (compared to 1,118,000 tonnes during the same period the year before), the tonnage of non-iron metals was 123,000 tonnes (compared to 183,000 tonnes during the same period the year before). The previous years' values – adjusted for the effects of portfolio modifications – amounted to 935,000 tonnes iron scrap metals and 177,000 tonnes non-iron metals. The turnover fell by EUR 304.3 million to EUR 317.1 million due to the erosion of prices and the weak market demand.

A slight increase in the margins stood in contrast to the adjusted reduction in volumes due to the weak demand and the associated reduction in the gross profit. In contrast to last year, there were no revenues generated from the optimisation of the portfolio. These effects could partially be compensated through savings on outward freight, transport and storage costs, as well as staff-related costs. On the whole, EBITDA fell compared to the same period of the previous year.

A fall must also be recorded for the EBT with respect to the same period of the previous year. The effects described before are accompanied by reduced amortisations and interest expenses in comparison to the reference period.

### *Services*

During the first six months of 2016, revenues in the field of transport packaging fell only very slightly compared to the same period last year. Despite the fierce competition, the volume of orders developed positively with numerous new contracts. Falls in revenues resulting from the fall in the price for plastics were compensated by the higher marketing prices for cardboard/paper/cartons.

The sales packaging business remained on the same level compared with the first six months of 2016. The Dual System Interseroh's market share increased slightly. The turnover of the service Recycling Solutions Interseroh (management of waste from branches, warehouses and production sites and marketing of the raw materials gained) increased marginally, which predominantly resulted from higher contract volumes.

Revenues in the services segment were at EUR 174.4 million, in the first two quarters of 2016, higher than the turnovers in the reference period of the year before (EUR 172.1 million).

EBITDA and EBT are above the values compared to the reference period of the year before. This is predominantly caused by higher business model-related effects from other accounting periods which arose in the operating system business but with partly higher commission expenditures.

### **Outlook**

According to the Economic Association for Steel, the perspectives for the second half of 2016 remain uncertain in light of the global economy's and steel markets' developments. Experts are assuming that in 2016 the People's Republic of China will push 120 million tonnes of steel onto the global market at dumping prices, another 8 per cent more than in 2015. According to the Federation of German Metal Traders (VDM – Verband deutscher Metallhändler e.V.), the expectations for the second half of 2016 are also rather muted.

The ALBA SE management expects, as already forecasted at the beginning of this reporting year, to see on the whole a significant fall in the volumes of iron scrap in the current financial year due to the difficult situation on the steel market, as well as due to the planned continuation of the portfolio optimisation. Due to the unexpected tense situation on the metal market, a considerable drop in non-iron metals is also being reckoned with. The volumes and prices will, as expected at the outset of the year, mean a significant reduction in the turnover revenues. An improvement continues to be assumed for the segment's EBITDA. This results predominantly from the in-depth value-adding

measures in conjunction with the structural cost reductions. These effects will also have a positive effect on the EBT.

For the services segment, the management expects marginally increasing revenues through the acquirement of new customers. At the beginning of 2016, the company had expected significant declines in EBITDA and EBT for the financial year. Contrary to expectations, the result for the first half of 2016 improved due to positive business model-related effects relating to other periods. However, for the financial year 2016 the management still expects a development of the EBITDA and the EBT as predicted at the beginning of the year, which will yet increase to the extent of the effects relating to other periods. It continues to be expected that the EBITDA and the EBT will significantly decrease compared to 2015.

In 2016, the ALBA SE group expects to see a considerable fall in turnover compared to the financial year 2015. The EBITDA will – in contrast to the forecast at the beginning of the year – only reduce moderately compared to 2015. The EBT will continue to increase, meaning that an exceptional increase can be expected due to the more favourable development of the EBITDA and the recurring, unplanned amortisations that will not be of the same extent as in 2015.

You will find the mid-year financial report in German at <http://www.alba.info/ALBASE/Halbjahresfinanzbericht-2016>

#### **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 – and a total of about 7,500 employees ALBA Group operates within Germany, Europe and Asia. With an annual turnover of approx. 2.2 billion euros (2015) 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).

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