

Speech

Dr. Axel Schweitzer

General Shareholders' Meeting of ALBA SE 2015

3 June 2015 / Cologne

- The spoken word applies -

Dear Shareholders and Shareholders' Representatives,
Dear Guests and Friends of the company,
Dear Ladies and Gentlemen,

Welcome – on behalf of the whole of the management team – to our general shareholders' meeting at the Media Park in Cologne.

Another financial year is behind us ...
... and it was similar to the course of the price of oil!

Slide: Share Price Development

Following a stable first half of the year, our share – for no apparent reason – suddenly began to drop in value. A not insignificant proportion of the ALBA SE shareholders exercised their right to tender their ALBA-SE shares to the ALBA Group. And this occurred even though we reported immediately beforehand that in the first half of 2014, both the segments of ALBA SE had returned to profit!

Ladies and Gentlemen, I am certain that you have all followed your company and the development of the share price over the following weeks. From the shareholder forums, I have been able to see that some of you have questioned the development as much as we have.

After all, in 2014, the operational results of ALBA SE – despite the exceptionally tough market conditions – have been very impressive.

Although we may still be a long way from scaling the heights, we have solid ground beneath our feet once again.

We have now largely achieved the goals which we set ourselves as the management team at the start of the year!

Slide: EBITDA, EBT and adjusted EBT

Our EBITDA is EUR 7.5 million, or 29 per cent higher than our EBITDA from the previous year.

In particular, the effects of the restructuring measures that began in 2013 have had a positive impact here.

The EBITDA also includes the costs of the restructuring measures in total of EUR 3.7 million, along with an additional EUR 2.9 million of a total of EUR 7 million relating to the costs of the portfolio optimisation.

A positive trend is also occurring in the **EBT**.

It is indeed the case that earnings before taxes (EBT) totalled EUR minus 34.4 million for the financial year of 2014. In the previous year, however, the EBT totalled EUR minus 42.1 million.

In addition to this, the EBT **does not** reflect our operating performance.

Why? According to the international accounting standards, we are obligated to check the impairment of goodwill. On the basis of our prudent future planning, this check resulted in impairments in total of EUR 38.3 million. Added to this is EUR 4.1 million from the optimisation of the portfolio.

If the EBT from the financial years of 2013 and 2014 is adjusted for the extraordinary effects of the restructuring costs, portfolio optimisation and the impairment of goodwill, it improves by EUR 9.1 million to **EUR plus 14.6 million in 2014**.

I will return to the figures a little later.

We have also significantly reduced our costs, parted ways with unprofitable sites and successfully completed the changeover in the Dual System.

We have also been able to **advance with the internationalisation** of the steel and metals recycling segment. While the marketed tonnages in Germany have been declining, those in foreign countries have increased, particularly in non-EU countries.

And it isn't only WE who believe in the future of our company. Our stakeholders do too, as well as our customers and banks, and more recently the capital market again. In late autumn, our share price had already begun to recover, sometimes hovering over EUR 56 in November.

Ladies and Gentlemen,

As you are aware, on 2nd March, in my role of Chairman of the Board of Directors of the ALBA Group, I announced that the parent company of ALBA SE, the ALBA Group, is opening itself up to a minority investor. In this context, as co-owner of ALBA SE, at today's meeting, I will provide you with some information on the factors which made us, the Board of Directors of the ALBA Group, decide to take this step.

I will therefore be addressing you today both in my role as member of the Advisory Board of ALBA SE and – for once – as well as Chairman of the Board of Directors of the ALBA Group –although I will do my best to differentiate between the two.

Slide: Basic Structure, Organisational Chart, ALBA Group

As clarification to those guests who are here today who haven't been following the fortunes of ALBA SE in recent years: ALBA SE has two key areas of business – the area of steel and metals recycling and the area of environmental services. The latter largely encompasses the activities of INTERSEROH Dienstleistungs GmbH, which operates our Dual System, for example, but which is also a strong player in other collection systems, such as the redemption of transport packaging, deposit bottles and batteries, and also in waste prevention concepts.

As the parent company in contrast, the ALBA Group, is the holding which encompasses all the areas of business of the entire corporate group. This also includes the numerous plants which operate for the recovery of raw materials from waste – the core area of business of the family business which is ALBA.

Ladies and Gentlemen,

I will start by explaining the business developments at ALBA SE. After that – and also at the level of the ALBA Group – I will present the strategic plans and goals.

In view of our project pipeline, I'd like to start by saying that the future of our company is at least as interesting as its past is.

What were the key developments to have characterised the 2014 financial year?

Slide: Highlights 2014

First of all: in terms of the services, we stepped into the next era in the history of the Interseroh Group. We believe that a future without waste is possible, and the vision of being able to stop using waste incineration plants can become a reality by 2030. Here in Germany, we realised many years ago that sustainable growth is only possible in harmony with the environment.

Our goal: we want to make Interseroh into the brand in Germany and Europe which supports the rejection of the throwaway society and establishes and implements the systems required to realise this.

In a world in which the demand for raw materials continues to grow it is necessary to create new models for dealing with products and waste. The area of services is therefore based on four new pillars, namely ReUse, ReDuce, ReCycle and ReThink.

The latest example: together with the ALSO group we are currently working on the development of a logistics network for small and medium sized retailers in the field of information technology and telecommunications (ITC), who, with the minimal time outlay, want to be able to offer their customers an interesting buy-back option for used products. ALSO is a group of companies that offers services from one single source – at every level of information technology and telecommunications added value. The goal: to motivate customers to come into the shop and to take the fight to the internet sites which attract would-be sellers with amazing prices but who frequently only pay out low rewards. In comparison, the joint venture which we have established with ALSO, which is currently awaiting approval from the German Federal Cartel Office, takes transparent prices as its basis as well as a straightforward but reliable settlement.

Slide: Kilenda

You can see another example of the new things we have developed here on the chart. With Kilenda, we took a look around the start-up scene and appointed two entrepreneurs to our group who have set themselves the task of improving the eco-balance of children's clothing.

Specifically: on the website, parents can hire clothes for their children, thereby making them sustainably usable. Once their child has grown out of them they simply hand the clothes back and they are washed, ironed and hired by another parent. The goal: in this year alone we want to save 75 million litres of water, since making one children's shirt requires 6,200 litres of water alone.

Of course, this is just one small component of our strategy. In the services area, we are currently working on a range of different and innovative business ideas. These include solutions for sustainable waste management in the retail sector as well as take-back solutions for the care sector and – very importantly – new, high quality product made from recycled plastic.

Slide: Dual System

Secondly: In the Dual System – the national German system for the collection of the yellow sacks and the recycling of sales packaging – I am pleased to report some good news. The 7th amendment of the Packaging Ordinance has had a clear impact. We previously said that we believed a volume of 1.4 to 1.5 million tonnes of licensed plastic packaging would make the system financially stable. We have now achieved this figure, with 1.48 million tonnes (report from the 3rd quarter). This requires further stabilisation. I also want to take this opportunity to highlight that the Dual System never experienced any problems surrounding its performance or quality. As a reminder: the Dual System has enabled Germany to achieve the highest rates of plastic recycling in the world. At the same time, since the abolition of the monopoly, prices have halved. Unfortunately, the media reports surrounding this topic have frequently been very distorted.

Thirdly: in the steel and metals recycling business area, we have taken the occasion of the challenging situation on the European steel markets to establish a new sector standard and to initiate the required comprehensive reorganisation in 2013, which was continued in 2014.

Wherever it has proved possible, we have merged the steel and metals recycling sites in ALBA SE with the classic recycling and waste disposal sites in the ALBA Group. The basic principle here is to use our locations for all of our material fractions – for both the accepting and preparation of metals and scrap, as well as for paper, plastics or waste materials.

On this basis we are setting a new standard in our sector. Until now, no other national recycling company in Germany has taken a step of this kind. At the same time, however, smaller companies which only operate on a regional basis have demonstrated that this is a concept which works and promises success.

Slide: Tonnages of Scrap / Metals

Due to the sale of differing sites, as well as of Interseroh NRW and the closure of our Stainless Steel, our traded tonnages have certainly fallen – to be precise, to approximately 2.35 million tonnes of scrap steel and approximately 360,000 tonnes of secondary metals.

If only those companies which still belong to ALBA SE are considered, the volumes have increased a little, however.

The exact figures are shown on the chart.

Ladies and Gentlemen,

Our overriding goal is and remains the sustainable use of resources – or expressed otherwise: we want to help our customers to achieve growth in which business and the environment are in harmony. It's a little like Yin and Yang.

As you are aware, as a German company, we have an excellent starting position. Here in Germany we aren't just the football world champions, we are also the recycling world champions.

Slide: Growth Potential of Green Tech

Please allow me clarify this with some figures:

- Here in Germany, the recycling of waste is now replacing the importing of raw materials by the German industry to an annual value of almost EUR 20 billion. By the year 2020, this figure is set to rise to around EUR 30 billion.
- In 2015, the global market volume of the closed-loop economy shall be around EUR 170 billion – that would be a plus of 66 per cent compared to the year 2013.

Most people are unaware of the level of dynamism in our markets but it is very impressive:

- The average rate of growth in the German closed-loop economy is 5.2 per cent. By way of comparison: in 2014, gross domestic product in Germany only grew by 1.4 per cent.
- According to the experts, the market volume of materials recovery, which is of decisive importance to our group, is set to increase from its current EUR 2 billion, to EUR 7 billion in 2025. This means that it is set to more than triple over the next ten years.
- In our corporate group alone, we prepare more than 7 million tonnes of secondary raw materials per year and thereby make – and this is something that should never be swept aside – both a key contribution to climate protection as well as a major contribution to the conservation of raw materials.
- Due to our work over the course of the past year alone, we have been able to save around 51 million tonnes of primary raw materials – a volume equivalent to the annual worldwide demand for aluminium. At the same time, we have saved more than 7 million tonnes of greenhouse gas emissions when compared with primary production. This is equivalent to almost one per cent of all the greenhouse gas emissions in Germany.
- As you can see: the company group is excellently positioned for being able to benefit from the global rates of growth in both the areas of recycling and the securing of raw materials on a sustainable basis. No other German company is able to link up the entire chain, all the way from the primary commodity to the second life product.
- Moreover, we were and still are the only company of the major players to have consistently set our sights on the prevention of waste and recycling, having identified waste incineration as being the wrong approach some 46 years ago. After all, once something has been incinerated, it has been removed from the raw materials loop.

Ladies and Gentlemen, such are the opportunities and the positive developments.

Slide: Crisis in the Steel and Metals Sector

In terms of growth, 2014 was also, however, a tough year: the steel and metals recycling segment found itself in a persistently difficult market environment. Although global production of raw steel grew by just over 1 per cent, electric steel production, which is of far greater importance to the recycling business, went down. This is because prices of iron ore dropped by almost 40 per cent in 2014! The result is that an increasing volume of steel products was made from primary material rather than scrap again.

At the international level, limited demand from Asia caused an over supply of scrap steel, with falling prices and lower margins.

In the non-ferrous metals market, the volumes that were available were too limited.

In the "Yellow Bin" system – a topic with which you are certainly familiar – we didn't only have to fight it out on the political level, we also had to contend with huge competition and the corresponding pressure on the margins.

The framework conditions were challenging and are set to remain challenging. Therefore, we will never let up with our efforts to be more efficient!

We are basing our efforts on three key levers. We are optimising the performance of the business segments, creating synergies between the segments, and continuing to optimise our portfolio of investments.

As you are certain to have read in the press releases, we sold some smaller sites that did not have a great depth of value added. These included Aschaffenburg for example, a transshipment point for waste and metals only, and also Freiburg.

We have also decided to close down our sites in the Balkans. We failed to achieve the earnings which we had hoped for there. The company delivered 95 per cent of its scrap

steel to Turkey. Steel production collapsed there, however, due to cheaper imports. We believe this situation will be sustained, which means that the outlook for future earnings is also negative. Additional shareholdings with which we are planning to part ways in the future are our 25 per cent minority stake in ProTrade in the USA and our share in TOM, a scrap recycling firm in Poland.

Slide: Turnover and Earnings of ALBA SE

Let's take a look at what the figures from 2014 meant for ALBA SE:

In 2014, we achieved a consolidated turnover of EUR 1.6 billion, after EUR 1.7 billion in the previous year. Therefore, our turnover only dropped very slightly.

Despite this, however, our **operating earnings improved – by approximately 29 per cent, to EUR 33.7 million. By this I mean our EBITDA**, or our earnings before interest, tax, depreciation, amortisation, which were EUR 7.5 million lower in the previous year (2013: EUR 26.2 million).

Our EBT includes expenses arising in our reorganisation and efficiency enhancing programme which was continued in 2014, in sum total of EUR 3.7 million.

In addition to this, in the scope of the further optimisation planned for our portfolio, expenses totalling EUR 7.0 million were also accrued for value adjustments to goodwill, property, plant and equipment and receivables. On the one hand, this relates to the closing of our sites in the Balkans and our prospective parting of ways with our scrap-related work in Poland.

Our earnings before taxes (EBT) totalled EUR minus 34.4 million. In the previous year, our EBT was EUR minus 42.1 million.

However, our EBT – **as already stated – does not** amount to a reflection of our operating performance.

Why? According to the international accounting standards, we are obliged to assess the value of the goodwill. Due to our more conservative future planning, the assessment resulted in depreciations.

If the EBT from the financial years of 2013 and 2014 is adjusted for the extraordinary effects of the restructuring expenses, portfolio optimisation, and the impairment of goodwill, it improves by EUR 9.1 million to EUR 14.6 million in 2014.

As stated: in 2014, we achieved a clear improvement in our operating performance at ALBA SE! This is evident with our EBITDA, which increased by almost 30 per cent.

Ladies and Gentlemen,

I am very pleased to comment on the speculation over the course of recent weeks concerning our financing situation:

In recent months, a lot has been said and written about the liquidity of the ALBA Group in the syndicate agreement of which the ALBA SE Group is incorporated. Please allow me to reassure you: the liquidity of both the ALBA SE group and the ALBA Group is sufficient. The ALBA Group is financed through to 2017.

There has also been repeated speculation as to whether we have failed to comply with the covenants. This is also wrong. We have consistently satisfied all of our financial obligations, and have never failed to comply with the covenants we have agreed with the banks. We have always made the agreed capital repayments for the bond – meaning the interest and redemption – both on time and as agreed, and we will also continue to do so. The same applies to the purchase obligation for the shares offered to us in the scope of the control and profit transfer agreement.

Ladies and Gentlemen,

Slide: Guarantee Dividends / Yields

Let us turn to you. What does the annual financial statement mean for you as the shareholders of ALBA SE? To put it briefly: it means nothing!

Since the control and profit transfer agreement of ALBA SE with the ALBA Group plc & Co. KG as the controlling company, for the duration of the contract, a constant monetary payment is provided, the so-called compensation payment – irrespective of the annual result.

The gross compensation payment amounts to EUR 3.94 per share for every full financial year.

Less the corporation tax and the solidarity surcharge, in 2014 this resulted in EUR 3.25 per share, as in the previous years.

As shareholders, you have therefore once again gained from the previous financial year. Therefore, in 2014 – in terms of the net dividend and a closing price of EUR 49 – the dividend yield amounted to 6.6 per cent. Such a yield is currently impossible to achieve with practically any other investment.

In addition to this, as before, every shareholder is entitled to sell their shares back to the ALBA Group at a price of EUR 46.38 if they would prefer to part ways with their holdings.

Ladies and Gentlemen,

At this point I would like to make some comments about the plans of the ALBA Group.

Slide: Investor

As you may well have read in the internet or the newspapers, my brother and I have decided to open our family business, the ALBA Group, to a partner as a minority investor.

We are taking this step because we don't just want to grow in our core markets over the course of the coming years, we also believe there to be superb opportunities in Asia right now. We are also set to benefit from an unbelievable upswing in the environmental sector. German technologies are regarded as being global leaders.

At the same time it is also clear that we won't be able to take these steps alone over the short or medium term.

Slide: Waste in China – the Market of the Future

China is now the biggest market for environmental products and services, and one in which strong growth is forecast. In terms of the waste management and circular economy, China is developing at a rapid pace. A key reason: the Chinese government's most recent 5 year plan from 2011 intends to ensure the development of a fully functional circular economy in order to guarantee the sustainable use of resources and the recycling of raw materials.

And there are also other interesting countries which have a huge amount of ground to make up in terms of the waste management industry. To be able to have the required financial leeway on a sustainable basis, we require a strong partner here.

And, Ladies and Gentlemen,

In no way does this amount to a mere declaration of intent.

A few weeks ago we won our first major order as the ALBA Group.

Specifically, this order relates to the tender by the environmental authorities in the world-beating metropolis of Hong Kong for the collection and recovery of **all of the 'regulated' electronic waste (WEEE) which is collected in the city**, including the development, construction and operation of an appropriate processing and recycling plant.

When you think that Hong Kong is home to over 7 million people, you can get an idea of the kind of scale this project has in a city which, until now, has had no collection system for electronic waste.

As you can see, our promises are followed up with actions. And this isn't the only project to have been agreed in Asia.

Ladies and Gentlemen,

Slide: Agenda Item 5

Agenda item 5 is related to our plans for the future.

The authorisation to purchase and sell treasury stock agreed at the general shareholders' meeting on 29 June 2010, and which applies to the acquisition of treasury stock until 29 June 2015 – and therefore ends in less than four weeks – is to be replaced by a new time-limited authorisation for the acquisition of treasury stock valid until 3 June 2020 pursuant to § 71, para. 1, no. 8, AktG (German Stock Corporation Act).

In this way, the company should gain the opportunity to have treasury stock available which it can use as a return consideration for the acquisition of companies or holdings in companies.

This form of return consideration is increasingly necessary due to the globalisation of the economy in the scope of the international and national competition. With the

suggested authorisation, the company therefore gains the necessary flexibility to be able to use treasury stock as an acquisition currency and therefore to be able to respond flexibly to beneficial offers concerning the acquisition of companies or holdings in companies.

The company should therefore be enabled to issue shares to institutional investors, financial investors or other cooperation partners, for example.

Ladies and Gentlemen,

The company faces strong competition on the capital markets. For its future commercial development, the appropriate availability of equity capital is of considerable importance. This also includes the option of being able to raise equity capital on the market at any time at appropriate conditions, and being able to sell treasury stock on a flexible basis in the stated scope as required.

In this respect, the company must also be in the position of being able to access additional groups of investors. In individual cases, this can also require the acquisition of treasury stock and the use of such stock for passing on to specific investors.

Through a market-proximate price setting, the highest possible proceeds from the sales and the greatest possible strengthening of the equity capital are achieved.

With the proposed authorisation, your interests as shareholders are therefore adequately safeguarded.

The authorisation is limited to a maximum of 10 per cent of the company's share capital. The treasury stock which is acquired may only be sold to third parties in return for a cash payment at a price which is not significantly different from the price quoted on the stock exchange for the company's stock with the same terms at the time of sale. The relevant stock exchange price to be determined is determined on the basis of the closing Xetra trading prices on the Frankfurt stock exchange which represents a liquid trading venue and at which trading permission exists such that the greatest possible accuracy of pricing is guaranteed.

Specifically, I make reference to the report from the administrative board regarding agenda item 5 concerning the exclusion of the subscription right with the sale of treasury stock, which is set out on pages 9 to 14 of the invitation which you have received.

Ladies and Gentlemen,

The administrative board therefore suggests the following resolution:

With effect from 4 June 2015, for a duration of five years, i.e. until 3 June 2020, the company is authorised to acquire treasury stock to a maximum amount of EUR 2,558,400.00 of capital stock attributable to these shares.

The acquisition takes place on the stock exchange or on the basis of a public offering to all of the company's shareholders or by private sale.

The administrative board is also authorised to sell the treasury stock acquired to third parties against contributions in kind, and in particular, also in connection with corporate mergers and the acquisition of companies, parts of companies and/or holdings in companies.

The full wording of the proposed resolution is provided on pages 4 to 8 of the printed invitation.

Slide: Summary

Ladies and Gentlemen, I am now coming to my concluding comments. On this note, please allow me to make the following points by way of summary:

- Over the course of the last year, in both ALBA SE and in the ALBA Group, we worked hard to put the tough year of 2013 behind us, and have succeeded in

making some clear improvements at the operational level. 2015 will also be a challenging year which requires further restructuring measures.

- **We therefore have a strong footing again, but are still a long way from scaling the heights.**
- Our measures are taking effect. The integration of the Waste & Metals divisions is proceeding according to plan.
- **In 2015 we will also achieve a positive result at the EBT level once again.**
- Demand for recycling know-how and technology is increasing world-wide. This makes me feel very confident for solid and healthy growth over the years to come.
- In Asia we will make the most of the opportunities which the Chinese government has created with its 5 year plan.
- This can be summarised as follows: "the biggest environmental products and services market in the world meets with the best technologies in the world."

Ladies and Gentlemen,

We all share something important in common. As shareholders of ALBA SE we are all owners. Some owners only hold a few shares; others are owners and employees at the same time – like me. Others represent the interests of major financial institutions.

Ownership comes with obligations: to the sustainable creation of value and to responsible actions. These are obligations to which both the company ALBA as well as Interseroh have always been committed. And they are also shared by my family.

As owners we expect our company – ALBA SE – to create value.

We achieved this in 2014. And it continues to be our promise!

Many thanks for listening!