

Speech

Dr. Axel Schweitzer

Chairman of the Administrative Board of ALBA SE

at the

Annual General Meeting of ALBA SE

on 3rd June 2014

in Cologne

Check against delivery!

Dear Shareholders and Shareholder Representatives,
Dear Guests and Friends of the Company,
Dear Ladies and Gentlemen,

I would like to extend a warm welcome to you at the second Annual General Meeting of ALBA SE, on behalf of myself and my colleagues on the administrative board, Rob Nansink, Martin Becker-Rethmann and Eric Mendel.

You accepted today's invitation in the expectation that I will not only present our company's figures to you, but also explain the backgrounds and contexts which have been decisive to the realisation of these figures.

Most of you already know that I don't like to beat around the bush, preferring instead to get quickly and clearly to the point.

And this is why I am saying very clearly at the beginning of this meeting:

The conditions to which ALBA SE was exposed last year were the worst in the last 20 years. Nevertheless, we have managed to further develop our company and to drive forwards with the reorganisation that has been started. Regardless of the severe adverse headwinds, we remain unchanged...

- a decisive stimulus and initiator for the industry,
- still unique in our positioning on the market
- and structurally on the way to establishing a new industry standard. This point especially, is very important to me.

What has characterised our past financial year?

The **most important boundaries** within which we operated in 2013, were:

Firstly:

A crisis in the European steel industry which massively affected all of the renowned companies in the manufacturing sector. In the last year, German steelworkers alone reduced their raw steel capacity by 1.6 million tonnes. Globally, barely 80 percent of the production capacities were used.

Secondly:

The service segment was characterised by the increasingly urgent situation with the dual system in the sales packaging recycling market. You will all have read about it over the last few weeks and months:

Increasing numbers of manufacturers and importers are escaping from their obligation to finance the “yellow bin / yellow sack” recycling system by exploiting loopholes in the German Packaging Ordinance [Verpackungsverordnung].

Thirdly:

Internationally, the crises in Turkey and the restrictive customs policy of China, together with the economic restructuring of that country have applied massive pressure to the raw materials markets. But at the same time – and I speak for the entire ALBA Group here – we are seeing a strong interest in taking German recycling knowledge to other countries. China, especially, is working with German companies to find solutions, and the Arab states are also showing interest.

And fourthly:

Nationally, the passing of the German Recycling Management Law [Kreislaufwirtschaftsgesetz] has led to a standstill in the German recycling industry. Instead of taking further qualitative developmental steps, the private recycling industry had to struggle to avoid being pushed out of the market for commercial collections.

Against this background of severely changing markets, my ladies and gentlemen, we made the reorganisation of our group the focus of our agenda in 2013.

We have invested massively in the reorganisation of our group and subjected all our structures and the entire portfolio of our subsidiaries and affiliated companies to thorough inspection.

We have worked on further increasing our profitability and making our processes more effective. “Style over substance” is still our motto. This means achieving better profits with less capital expenditure is nothing other than our top priority.

For this reason, we also train our sales staff intensively to be able to offer our entire portfolio to all our customers in the best possible way. Taking the case of a bank, no one would come up with the idea of maintaining a separate branch for each product and then keeping these spatially and organisationally separate in the same building. But this was still the case in some of our sites.

As you know, our 2013 financial report is entitled: “Networking”. And not without cause.

Because our focus in 2013 was on merging recycling / waste disposal in the classic sector of waste management with steel and metals recycling. I will explain this in more detail later.

The important thing is: we have invested twelve million Euro in this restructuring in the last year with courage and determination. Against the background of the most difficult market conditions, this was anything but an easy decision.

That is because the funds for the restructuring of the group have also put a strain on our 2013 earnings. You can also see in our figures – which I will tell you about in a moment – an extraordinary effect caused by the necessary depreciations in company value as part of the IFRS accounting. This effect has squeezed our earnings by a further 35 million Euro.

But now the figures:

(Sales revenues and earnings)

In 2013, we generated consolidated sales revenues of 1.7 billion Euro – after about 1.9 billion Euro in the previous year.

While we presented you with the sales revenues and earnings before tax the earnings before interest and tax – EBIT – in the last few years, this year is the first time we have presented you with the EBITDA – the earnings before interest, taxes and depreciations – together with sales revenues and EBT.

Why? As well as standardisation with the control factors of the ALBA Group, we consider this to be more meaningful. The EBITDA measures the efficiency and profitability of the operational business.

Our operational earnings, i.e. our earnings before interest, taxes and depreciations (EBITDA) decreased dramatically but is still positive. It amounts to 26.2 million Euro. The restructuring expenses are already having an effect here with 12.1 million Euro. The earnings before tax (EBT) are -42.1 million Euro.

As mentioned, this includes the restructuring expenses (12.1 million Euro), the depreciations on investments to the amount of 5.9 million Euro and the extraordinary depreciations on company values to the amount of 34.6 million Euro. As I have already said, this is a negative effect that has nothing to do with our operational business in 2013.

When adjusted for the restructuring costs, the EBITDA totals 38.3 million Euro.

After adjustment for the restructuring costs and depreciations on company values and investments, the EBT is +10.5 million Euro.

We do not find these figures satisfactory. However, they are not surprising either, as they are largely due to the overall situation that has been explained above.

(Dividends)

My ladies and gentlemen,

the good news for you is:

As a shareholder of ALBA SE, you will be completely unaffected by the fall in our earnings!

Since the control and profit transfer agreement between ALBA SE with the ALBA Group plc & Co. KG as the controlling company, a consistent payment is made for the duration of the contract, the compensatory payment – irrespective of the annual profit.

The compensation payment is 3.94 Euro gross for each share for each full financial year.

Minus corporation tax plus the solidarity tax contribution, a payment of 3.25 Euro per share is due in 2013 in a similar vein to the previous years.

As was the case in 2012, you, as a shareholder, are among the winners of this last financial year. This means a dividend yield of 5.28 percent – relating to the net dividend and with a closing price in 2013 of 61.49 Euro.

In the financial year of 2013, the share was once again relatively unaffected by influencing factors – such as the European economic crisis and the alleviation of the euro crisis.

The price has developed in a virtually lateral fashion. The closing price on 30th December 2013 was 61.49 Euro, making it just 3.21 Euro less than the closing price in 2012 (64.70 Euro). In view of the illustrated “general climate”, this is really pleasing.

My ladies and gentlemen,

Let me explain in more detail what we have specifically done in 2013 to respond to the persistently difficult market trends.

As already described, we have interlinked the steel and metals recycling segment of ALBA SE closely with the recycling and waste disposal sector of the ALBA Group – since April last year, managed as a single business division under a single executive team.

The competences and knowledge of both business divisions are being consolidated. Both business divisions benefit from the expansion of waste legislation-related licences and share logistics, employees, technology and sales. This year, this will be complimented by an analog regional structure.

As a result, we are establishing a new standard in the industry.

The fact is, it remains normal – among all our renowned competitors – to view the fields of waste disposal and steel and metals recycling completely separately to one another. But both fundamental connections are part of a functioning life-cycle management to make waste into a raw material again through high-quality recycling.

I said at the beginning that we are still the stimulus for the industry. Here is another example, with which we are proving this!

For us, using synergies means more than just reducing costs. Essentially, it is about creating a real added value for our customers: a more extensive range of services from one single source.

We are strengthening our market position through our networking.

We have placed the sectors of Sorting and Facility Management of the ALBA Group under the management of INTERSEROH Dienstleistungs GmbH, the management company in the services segment. By consolidating all the service activities of the

entire ALBA Group under one management company, we are better able to boost our cross-selling potentials.

For example, the Recycling Solutions Interseroh business unit has close contacts with food retailers, which also need winter services and the maintenance of their green spaces. The ALBA Group is offering this with its facility management.

A further cornerstone of our measures last year was the globalisation of the group. Due to the situation in Germany and Europe, it is now necessary to become more independent of the German and European steel market in the steel and metals recycling segment.

For this reason, we have invested in an export terminal in Amsterdam.

With 27,000 square metres, the area of the new sea terminal in the Dutch capital is a good five times larger than our previous site in Dordrecht.

In terms of traffic, it is perfectly connected.

And in Amsterdam, we are in an excellent position for handling all types of scrap iron internationally, along with metals, paper and plastics – in short: all raw materials.

It is not a classic scrap terminal in any way. It is much more: the Amsterdam facility is an ultra-modern multi-functional terminal.

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.

This globalisation also applies for the services segment.

We are increasingly exporting our knowledge and competences in this field.

We have already recorded a noteworthy success in Slovenia in this regard. In 2013, we were among the most rapidly growing young companies in Central Slovenia and received a prize for this. As well as sales growth and the quality of the services, we impressed the experts with our competence and experience in the field of waste management. At the moment, we are also in the process of establishing ourselves in the Czech packaging recycling market.

In 2013, our investments on one side also saw disinvestments on the other. And these occurred anywhere that our profit expectations had not been fulfilled for quite some time and the strategic contribution was limited.

Against the background of the intensively changing European stainless steel industry, we ceased the operations of INTERSEROH Stainless Steel in Dortmund at the end of February, for example. To optimise our portfolio, it was also necessary to sell INTERSEROH NRW GmbH.

At this point, allow me to make a few comments on the situation in the sales packaging recycling market.

It is already noteworthy that this subject has made it into the Tagesschau [German news programme]. Especially since we have no quality issue with the “yellow bin / yellow sack” recycling system. In contrast, this is solely a financing issue.

Expressed differently: the yellow bins and sacks are still being collected punctually and without any new costs from every single household in Germany. But the newspapers are reporting that the system is at its end.

For this reason, I recommend challenging allegedly reliable media articles and asking the question, “Cui bono?” – “Who will benefit?”

Well it certainly isn't the consumers, who are already paying at the till to recycle their packaging and would have to pay twice should it be returned to municipal hands.

However, the following is right:

The exploitation of loopholes in the German Packaging Ordinance [Verpackungsverordnung] has led to increasing numbers of manufacturers and importers escaping from their duty of financing the system for collecting sales packaging. This situation is resulting in a form of competition with partially market-distorting conditions.

For this reason, it is right that the Bundestag wants to rule the day after tomorrow on abolishing the option of self-recovery and to make the rules on the industry solutions stricter.

The volume reports for the first two quarters of 2014 show that this is correct and important: at about 760,000 tonnes, the reported volume of light plastic packaging is far below the collected volumes.

This means, believe it or not, that once again 28 percent of so-called lightweight packaging was not reported in comparison with the first half of 2013.

At the same time, the self-recovery volume rose by 219 percent.

But the quantity in the yellow sacks and bins has not changed at all: about 2.4 million tonnes still have to be collected each year.

This means that in 2014, over 1.6 million tonnes – i.e. two thirds of the lightweight packaging – is being collected, but not paid for.

On behalf of the ALBA Group, Professor Udo Di Fabio – a long-standing judge at the Federal Constitutional Court – investigated the dual system of packaging recycling taking constitutional aspects into account.

His verdict: by exploiting various combinations of misuse, a situation has arisen which infringes the freedom and equality of competition. And he reaches the conclusion that the state is obligated to intervene.

This ultimately means that all of the honest manufacturers and importers who have reported their packaging – as is legally required – in a dual system, are being cheated.

This must be brought to an end.

If it is not possible to solve the problem of underfinancing in the dual system, this will have considerable consequences for consumers and the economy, and we are endangering a recycling system which has catapulted Germany to being the international world leader! Allow me to state a few figures for you:

The recycling quotas for lightweight packaging rose continually from the introduction of the dual system in 1991 to reach 70 percent in 1998. Since then, they have stayed at a consistently high level (2011: 73 %). And: recycling a yoghurt pot doesn't cost a citizen more than half a cent – the whole system costs less than 10 Euro per citizen per year!

It is unacceptable that a well-functioning system with high material recycling quotas is being completely called into question due to the deceitful action of some individuals.

I am repeating myself, but 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.

My ladies and gentlemen,

I do not want to awaken the impression that I am only explaining the sales revenues and profit figures of 2013 with the difficult external conditions. We have introduced a considerable restructuring programme and measures to make us even more efficient in the future. I have just explained these to you. We are also identifying and initialising further adjustments with which our internal costs can be reduced.

If you want to think about it as such, we are in the middle of a “spring clean”. Even if we are – in terms of the calendar – inching towards the summer.

We are striving to achieve an increase in efficiency with our restructuring in various sectors. This naturally also concerns the company management. A year ago, your votes at the Annual General Meeting allowed the change from a dualistic to a monistic management system. An administrative board has replaced what was the supervisory board and board of directors. The control duties of the previous supervisory board and management responsibilities of the board of directors have

been consolidated in the administrative board. In this way, we have reduced the body's members from nine to six – or by a third.

In addition, we have placed both business sectors under joint leadership.

But this absolutely does not mean that reliable and continual controls of the management no longer take place. On the contrary: the joint advice and decision-making of the executive and non-executive members of the administrative board about strategic measures, and the operational responsibility of the administrative board, allow a faster decision-making process and a more direct flow of information.

So: even in the monistic system, the management is monitored. The law stipulates that more than half of the members of the administrative board are not allowed to be executive directors. We are complying with this stipulation.

As of 31st October 2013, Dr. Werner Holzmayr stepped down from his position as a member of the administrative board of ALBA SE. Dr. Holzmayr was a non-executive member. For this reason, the administrative board puts it to you to elect Ms. Patricia Hauswald to the administrative board of ALBA SE upon conclusion of the general meeting, which approves the actions for the financial year ending on 31st December 2016. She will be appointed to this position for no longer than until 27th May 2017. Ms. Hauswald is a tax advisor and lives in Stahnsdorf. This personnel matter is listed for voting as Agenda Item 7. This will also provide the opportunity to introduce Ms. Hauswald in more detail.

You are also required to assist in the implementation of structural measures during today's Annual General Meeting.

Item 8 of today's agenda deals with incorporating our subsidiary company "profitara" more intensively than before in the group structure of ALBA SE, meaning no disadvantages will be sustained in relation to the value added tax. The control agreement serves to guarantee the taxable entity between profitara and ALBA SE. This had become necessary as the legislative authority has redrafted Section 2.6 of the Value Added Tax Application Decree (Umsatzsteuer-Anwendungserlass UstAE). The revision states that the taxable entity only continues to be recognised from

January 2015 if the subsidiaries are incorporated organisationally through a control agreement. The reasoning behind the planned resolution, listed as Item 9 of the agenda regarding INTERSEROH Dienstleistungs GmbH, is identical. You were able to see details pertaining to this matter on the invitation to the general meeting.

Items 10, 11 and 12 also deal with adjustments required due to new legal regulations.

According to § 17 Clause 2 No. 2 of the revised Corporation Tax Law (Körperschaftsteuergesetz), a profit transfer agreement with a GmbH as the controlled entity is still only fiscally recognised if a transfer of loss is agreed expressly in the contract through reference to the stipulations of § 302 of the German Stock Companies Law (Aktiengesetz). Tax law therefore demands expressive reference – and no literal representation – to the current valid version of the German Stock Companies Law (Aktiengesetz).

For this reason, the control and profit transfer agreement of ALBA SE with INTERSEROH Management GmbH dated 28th July 2010 must be adjusted to the revised version of the Corporation Tax Law (Körperschaftsteuergesetz) in order to legally continue the existing taxable entity.

This amendment must become effective by no later than 31st December 2014 through entry in the Trade Register.

The same applies for the planned revision of the control and profit transfer agreement with ALBA Scrap and Metals Holding GmbH and for the revision to the profit transfer agreement with INTERSEROH Dienstleistungs GmbH.

(Business Performance in 2013 by Segments)

Dear ladies and gentlemen,

I will now present the business performance of 2013 to you in its individual segments.

There was harsh competition in the services segment. Nevertheless, we are still the market leader in terms of transportation packaging returns. And in the ranking of the dual system, we occupy fourth position in the returns of lightweight packaging. In view of the currently difficult environment, we proved ourselves to be spot-on when we consciously reverted back to our market share for risk reasons two years ago – while ensuring our strategic positioning.

Our reusable transportation packaging service – the pooling system with reusable transportation crates – that can be found at a major discounter is still undisputedly unique.

The Recycling Solutions Interseroh sector has also developed well. In this business unit, we develop concepts for branch, warehouse and waste disposal of companies to meet customer requirements, and offer infrastructure facility management services in food retailing (winter services, green/grey maintenance).

Our successes in developing new business fields are clearly evident. The latest example: as recently as 2012, it was not permitted to manufacture new transport cartons for food products from recycled packaging material. Today, we have the solution and patent for this – thanks to our innovative plastic granulate from the cooperation between ALBA SE recycled-resource business unit and ALBA Group sorting sector.

The figures for the services segment are as follows:

Sales revenues fell from 330.9 million Euro in 2012 by 15.9 million Euro or 4.8 percent to 315.0 million Euro in 2013.

The cause of these declining sales revenues was the massive competition in the transportation and sales packaging recycling market.

Added to this was the fact that a number of customers invested in machinery such as presses and shredders in the reporting year and began to carry out recycling services autonomously. This led to a fall in the service volume in certain segments of the recycling market.

The EBITDA fell from 35.3 million Euro in 2012 by 8.7 million Euro to 26.6 million Euro in 2013.

We recorded a decrease in the EBT of more than 10 million Euro, which specifically fell from 34.6 million Euro in 2012 to 24.5 million Euro in 2013.

As well as the reasons that led to the decrease in sales revenues in the services segment, the decline in reported quantities in the dual systems also led to us having to bear higher costs in the sales packaging recycling segment.

My ladies and gentlemen,

We are still one of the top 3 German scrap companies.

And we still hold a leading position in the European export business of non-ferrous metals to Asia.

The segment has a network of approx. 100 steel and metals recycling sites and trading sites in Germany, Poland, the USA, the Netherlands and China – including companies associated with these sites.

What has the development in the steel and metals recycling segment been like in terms of figures?

Sales revenues decreased from 1.6 billion Euro in 2012 by 13 percent to about 1.4 billion Euro in the 2013 financial year.

We have emphasised time and again in the last few years: our sales revenues are not the deciding factor for us because our business with ferrous and non-ferrous metals is not reflected in our sales revenues.

Our volumes have not decreased significantly, despite the low demand. With 2.5 million tonnes, the tonnage of scrap steel handled was only very slightly – specifically 12,000 tonnes – below that of the previous year. Non-ferrous metals trade decreased by 36,000 to 385,000 tonnes.

However, the sales prices declined dramatically in comparison with 2012 and beat down the sales revenues as a result.

The average price level of Type 2 in the last year was 292.50 Euro per tonne. In 2012, it was still 320.90 Euro per tonne – this is equivalent to a decrease of 28.40 Euro or almost 9 percent per tonne.

The average price of copper over course of the year was 5,515 Euro per tonne, while in 2012, it was 6,182 Euro per tonne. This is a decline of 667 Euro or almost 11 percent.

The EBITDA in the steel and metals recycling segment is -0.5 million Euro against this backdrop. In 2012, this figure was 32.9 million Euro.

What are the causes for this considerable decline?

On the operational side, the purchase prices that have increased due to material shortages, together with pricing pressure, are creating lower margins on the sales side.

In addition, the EBITDA was affected by restructuring measures to the amount of 12.1 million Euro.

The restructuring expenses also include financial settlements of 4.9 million Euro.

Our employee headcount was reduced by about 200 between 31st December 2012 and 31st December 2013 (as at the reporting date).

Without the restructuring expenses, the EBITDA would have been 11.6 million Euro, making it 21.3 million Euro (64.7%) below the previous year's value.

The EBT in 2013 is -66.7 million Euro after 3.2 million Euro in 2012.

As well as the described effects on the EBITDA, reductions in company values to the amount of 34.6 million Euro and investments of 5.9 million Euro also had an effect.

The value depreciations were necessary because the international accounting standards do not permit depreciations over a certain period of time. In fact, company values must be inspected for their recoverability on every balance sheet date. As part of this test of recoverability, it was determined that the company values had to be set lower due to the continuation of the tight profit situation.

Without the mentioned restructuring expenses and value depreciations, the EBT would have been -14.1 million Euro and would have fallen by 17.3 million Euro in comparison with the previous year.

(Outlook for 2014)

I don't want to foster any illusions: a fundamental improvement in the economic environment is not in sight. The market conditions in the steel and metals recycling segment will continue to be more than demanding.

In Germany, we anticipate a raw steel production volume at the previous year's level.

For this reason, it is necessary for us to become more independent of the German and European steel markets in the steel and metals recycling segment, and to further promote the globalisation of the group – both in terms of sales and procurement.

We are focussing on globalisation, but without losing sight of our home base of Germany.

In the services segment, the focus is on developing product, logistics and material cycles and implementing our vision of the "sustainable triangle: reuse – reduce – recycle" in new business fields.

The potential of the idea is enormous. According to the corporate consultancy McKinsey, if German companies alone used raw materials instead of new materials, 70 to 170 billion Euro per year could be saved in material costs. This would be more than 400 billion Euro throughout the whole of Europe.

My ladies and gentlemen,

The last year really has not been kind to us. And we are also anticipating demanding markets this year.

But: as we cannot change the conditions on the markets in which we are active, it is all the more important for us to take the right steps and respond to them.

As it has become apparent that the markets will continue to be difficult, we have acted accordingly. And we are systematically continuing with the restructuring of the entire ALBA Group to become leading recycling specialists, raw material suppliers and environmental service providers in 2014:

- with the close interlinking of our operational units with business fields within the ALBA Group
- and with the advancement of international business in both segments.

Our To Do list also includes increasing our response speed and improving our market proximity, as well as further inspecting our portfolio and focusing more strongly on the capital used in terms of profitability.

As I have already said, everything is being scrutinised. Because, and I would like to quote Albert Einstein here: “Success isn’t permanent. Building a better mousetrap merely results in smarter mice.”

In this sense, we are taking new paths and staying true to our core business. We have no alternative but to go ahead with the changes we are making. We will keep the courage to change. Because this is the only way to continue to ensure the success of ALBA SE in the future.

Under the umbrella of the ALBA Group, ALBA SE is one of the innovation-driving forces in the industry and one of the leading corporate groups for recycling, waste disposal, cycle management and environmental services. With our work – and I am being deliberately immodest when I say this – we make a lasting contribution both to

ensuring our children, grandchildren and future generations will have the raw materials from which high-quality innovative products can be produced, and to guaranteeing that the earth remains liveable.

In doing so, we shall adhere to the tried-and-tested principles which make our company, your company so unique:

We grow from the wants and needs of our customers.

We benefit from the experience of our employees.

And WE make the changes in our industry.

Thank you for listening!