ANNUAL REPORT 2011

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Key Group Indicators

Group

		2011	2010	2009	2008	2007	2006
Consolidated sales revenues	in EUR million						
• Steel and Metals Recycling		1,744.5	1,384.2**)	832.5	1,560.2	1,219.1	898.7
• Services		466.2	448.0**)	287.8	285.7	330.5	191.6
• Raw Materials Trading		127.8	139.0	146.3	220	198.9	148.5
		2,210.7*)	**1,832.2**)**	**1,266.6**	**2,065.9**	**1,748.5**	**1,238.8**
Earnings before taxes	in EUR million	40.4*)	42.0**)	3.8	5.9	55.4	41.1
Consolidated earnings	in EUR million	37.2	34.1	0.9	-6.3	35.4	25.9
Total assets	in EUR million	655.1	656.5	659.5	729.4	658.0	446.0
Equity ratio[1]	**in %**	28.3	30.0	24.1	22.2	26.7	30.3
Return on equity[2]	**in%**	20.1	17.4	0.6	-3.9	20.2	19.1
Return on capital employed[3]	**in%**	8.8	9.5	3.4	4.4	9.8	9.7
Number of employees (average)		1,959	1,774	1,836	1,864	1,606	1,380
Number of shares		**9,840,000**	9,840,000	9,840,000	9,840,000	9,840,000	9,840,000
Dividend per share in euro		3.25[4]	0.25	0.11	0.14	0.86 +0.14 bonus	0.11

The companies of the raw materials trading segment were sold effective October 1, 2011. The figures marked *) are composed exclusively of continuing business – steel and metals recycling and services. The comparative 2010 values marked **) were modified appropriately

Sales from the raw materials trading segment for 2010 and from January 1 to September 30, 2011, were thus presented prior to consolidation and are not included in consolidated sales (for additional explanation, please refer to the Management report B.1. Sales and earnings, as well as C1. Results of operations

1 Shareholders' equity according to balance sheet x 100/total assets

2 Earnings after taxes according to income statement x100/Shareholders' equity on balance sheet

3 Earnings before taxes, interest and shares in associated companies according to income statement x 100 / total assets

4 Due to the control and profit transfer agreement that exists between ALBA Group plc & Co. KG and INTERSEROH SE, starting on the first banking day of fiscal 2012 after the ordinary General Shareholders' Meeting, an equalisation payment (guarantee dividend) will be paid.

Mission Statement

Interseroh, under the umbrella of the ALBA Group, is one of the leading corporate groups for innovative environmental services and steel and metals recycling. As service provider, Interseroh organises recycling processes and, as supplier to steel works, smelters and foundries, Interseroh supplies processing industries. Our philosophy is to close the loop - yesterday, today and tomorrow.

The ALBA Group, the first vertically structured corporate group in Germany, is the only one to play a leading role in the licensing market, the waste disposal market and in the supply of secondary resources to industry. In Europe it is one of the five most successful corporate groups in the industry, globally one of the top ten.

The Board of Directors

Dr. Axel Schweitzer

Has been Chairman of INTERSEROH SE's Board of Directors since 2008 and, furthermore, heads up the Finance Division. Since January of 2011 he also bears responsibility for the services segment and from January 1 to September 30 was chief of the raw materials trading segment. After studying industrial engineering, Schweitzer worked in Switzerland during the years that he was pursuing his doctorate before becoming a member of the ALBA AG Board of Directors. Schweitzer has been Chairman of the Interseroh Supervisory Board since 2005 and is a co-owner of the international recycling firm ALBA.

Joachim Wagner

Has been responsible for the steel and metals recycling segment since August 1, 2010. Prior to his move to the Interseroh Group, he transformed his parents' company Wagner Rohstoffe GmbH from a one-man operation to a key market participant in the Rhine-Main area.

Content

The Board in Discussion

Dr. Schweitzer, this year the annual report is entitled 'Change'. What is the background for the numerous changes in the past year?

Axel Schweitzer: First: Change implies movement – and that is the opposite of standing still, which always leads to a step back over the short or long term. Successful companies change continuously and re-invent themselves again and again. In addition, the world around us changed radically in 2011, or more precisely, the conditions in the markets in which our corporate group operates have changed. The upheavals we experienced during the banking crisis and the global economic crisis of 2008/2009 has affected the countries in the European Union and beyond in 2011, taking on a much larger dimension. Germany's position in Europe may have improved considerably, but Germany is known to be very dependent on exports and, therefore, the economic situation in other countries. It was both right and important to adapt our corporate group to these realities.

In what way?

Axel Schweitzer: We have set ourselves up under corporate law and in terms of structure in such a way that, on the one hand, we control the extremely high volatility of the raw materials markets, while, on the other hand, we are able to participate in the shaping of future trends and have increasingly become the raw materials partner of industry. Uncertainties regarding the procurement of raw materials have significantly increased interest in recycling in Germany. This is already evident at this point from the above-average growth in the Green Economy to which the recycling industry belongs. According to a study by the well-known German consultancy Roland Berger, in 2020 the field will be larger and more important for the German economy than the automotive industry. Furthermore, 76 percent of German companies are already saying now that the rise in raw materials and energy prices is the top risk to their companies' futures.

What can Interseroh do under the umbrella of ALBA Group Holding, which was not possible prior to entering into the control and profit transfer agreement?

Axel Schweitzer: By entering into the control and profit transfer agreement between ALBA and Interseroh, both groups are flexible with respect to formulating agreements with one another and can cooperate in all business segments without bureaucracy. Interseroh may for instance market the tin foil quantities from the ALBA sorting facilities or the scrap from the MPS facilities1. In sales, we approach customers jointly and offer customised solutions; often this is a mix of Interseroh and ALBA services. We can utilise locations together and have coordinated our logistics where it makes sense, just as we have consolidated purchasing quantities and further concentrated administrative support to the companies.

[1] MPS facilities are facilities for 'mechanical physical stabilisation'. Residual waste from housing and commercial refuse is broken down, dried and separated.

The Interseroh share is one of the few shares that did not follow the downward trend of the financial markets in 2011. What accounts for this?

Axel Schweitzer: Indeed the INTERSEROH SE share price developed significantly better than the rest of the market; the increasing gap between the DAX growth in 2011 and the growth of our share in 2011 was considerable. Certainly this is due in the first instance to the control and profit transfer agreement that has gone into effect between the ALBA Group plc & Co. KG and INTERSEROH SE; on the other hand, we also did our homework. We have a very stable earnings base and have shown that our hedging systems kick in even in the event of steep price declines in the raw materials markets - in contrast to what occurred in 2008. We are monitoring our positions in the steel and metals segment very precisely nowadays and have also limited our risk profile in the dual system. Moreover, we have ensured that our professional sales team is committed to new products and niche markets, where we see considerably better earnings opportunities. One example is the numerous take-back systems for commerce and industry. We are not just extracting raw materials from waste here, but creating new products with sustainable added value – in other words the 'bio' products of tomorrow from the refuse of yesterday.

What is your assessment of the current economic situation? What will the Interseroh Group's biggest challenge be for 2012?

Axel Schweitzer: The dramatic indebtedness of numerous countries is a problem that we will be dealing with for some time. My strong assumption is that there will be a devaluation of currencies, even a gradual devaluation of the euro due to increasing inflation. On the whole we will see a volatile and fragile economic environment in 2012 with raw materials prices that fluctuate sharply. A decline in overall economic production in the euro zone as a whole is anticipated in 2012. The World Bank recently emphasized this prediction yet again. Discussions concerning our national economic output are contradictory. Cautious forecasts assume a slight decline for Germany as well, while bolder predictions expect growth of up to one-and-a-half percent. The previous growth engines of the global economy, such as China, India and Brazil, will grow only by approximately 5.5 percent compared to the previous years. The greatest challenge for Interseroh will be strong margin pressures in both business segments. I am, therefore, anticipating a slight decline in sales and earnings for 2012.

In which regions and markets is Interseroh likely to assert itself in 2012?

Axel Schweitzer: Turkey and China are among our primary target markets in the field of raw materials and steel and metals recycling. While Chinese culture may be very different from ours, we are increasingly focusing on these markets due to the significant economic and political significance of China. The European market above all is of interest for the services segment. We want to gain a foothold in other European countries, such as Italy, as well with our take-back systems. Our know-how in the field of packaging recycling is an excellent basis for growth in other EU countries; it is important, however, to keep regional differences in mind.

The major steel groups are subdued in their predictions for the future and anticipate falling production figures. Is the steel and metals recycling segment confronting some lean months….

Axel Schweitzer: It would be exaggerated to say so. It is true that Germany evidenced steel production in December of 2011 that was 4.8 percent lower than in December of 2010, but a number of other large steel-producing countries had positive production figures. Turkey produced roughly 17 percent more steel in 2011 and production in Asia rose by almost 8 percent over 2010.

This shows that a stronger international orientation was a good choice on our part. We are currently also benefiting from the euro to dollar rate, since export growth is lessened if the euro is too strong. At the moment the dollar is stronger than it has been in a year-and-a-half; as a result we continued to expand export in the deep-sea zone at the beginning of the year.

2012 will nevertheless be a difficult, or at least challenging, year. We are expecting earnings at approximately the previous year's levels, however, due to the optimised set-up of the steel and metals recycling segment. Furthermore, we perceive our future opportunities in a concentration on stronger gross margin products, such as non-ferrous metals and alloyed scrap. A few weeks ago, we therefore established our first company for the treatment and trading of special scrap, i.e. alloyed scrap.

Interseroh has surrendered considerable market share in the LVP segment in 2011 and is now only in fourth place in the light packaging segment. Quantities, too, are not rising as hoped. How are you reacting?

Axel Schweitzer: We already reacted and have actively separated from one of our largest customer groups in 2011. As quality provider we shall continue to pursue this strategy – less risk, but higher margins – during 2012. Interseroh is the dual system with the broadest and most innovative product range. Obviously, we are and remain an important player in the field of packaging recycling – but we can simply do more. For instance, we can produce a granulate from plastic packaging which is converted once again into new, ecological products, that have the same level of material properties as products from primary plastics.

The German government has already announced that it wants to replace the packaging ordinance with a recycling law during this legislative period. Is this a long overdue step?

Axel Schweitzer: On the contrary. The implementation of the packaging ordinance in 1991 is an unparalleled success story, since it contributed significantly to the fact that Germany today is the world champion in recycling and the recycling rate, at 64 percent, is higher here than in any other country. This was only possible because the ordinance triggered a contest for the best recycling solution. Unfortunately, as far as the planned legislation is concerned, already now a great deal of talk is taking place regarding renationalisation and less regarding technical goals. Many clearly don't know: The national implementation of a so-called "resource bin" has been possible for some time now based on the packaging ordinance. ALBA showed how it could be done as early as 2004 in Leipzig. If the issue is truly higher recycling rates, then we could already implement resource bin now, rather than debate a new law for three or four more years.

Taking all factors together: What are your predictions for fiscal 2012?

Axel Schweitzer: 2012 is likely to be a challenging year, since overall economic conditions are anything but rosy. Nevertheless, Interseroh is very well placed in the market. Setting up the Interseroh Group under the umbrella of the ALBA Group creates the conditions for further growth. It is my goal to continue to enhance the Group's profitability. We do, however, anticipate slight losses in sales and earnings in 2012.

And 2013?

Axel Schweitzer: We are counting on increases in sales revenues and above all in earnings based on the optimised set-up of the steel and metals recycling segment and the expansion of our services.

Surely the sale of the raw materials trading segment to ALBA also falls under that keyword 'change'. What were the reasons for this and what are the results?

Axel Schweitzer: We wanted to take a further step in optimising the structures and administrative processes within the ALBA Group, as well as to standardise process flows within our raw materials trading activities, and have now done so. Furthermore, the sale of the whole group facilitates the development of new markets for paper and plastics, such as in Western and Southern Europe.

Reflecting once again critical moments in 2010, what were the greatest challenge and the best news in this past fiscal year?

Axel Schweitzer: The conclusion of the control and profit transfer agreement between the ALBA Group and Interseroh was a key milestone, because this has elevated the Group to one of the top ten global companies for recycling, waste disposal and raw materials supply. I am very proud of this and of the performance of our employees who have achieved this.

Report of the Supervisory Board for 2011

Dear Shareholders,

This past fiscal year, 2011, we have again, on a regular basis and with due care, monitored the activities of the Board of Directors in accordance with the law and the Company's statutes and have supervised the Company's strategic development as well as key individual measures in an advisory capacity.

In fiscal 2011 the Supervisory Board met in a total of four ordinary and two extraordinary sessions to discuss the economic situation of the Company and its individual divisions, as well as its ongoing strategic and personnel alignment, relevant plans and the risk situation and, in particular, the conclusion of the control and profit transfer agreement with ALBA Group plc & Co. KG. Various individual topics were dealt with and explored with the Board of Directors. The advice of the Supervisory Board was based on regular written and oral reports from the Board of Directors, which the latter provided in good time and in adequate depth, especially with regard to business policy and corporate planning, the Group's situation, including its ongoing strategic development and its locations, as well as the profitability and progress of the business. In addition, the Supervisory Board passed eight round robin resolutions. Furthermore, the Chairman of the Supervisory Board was in constant contact with the Board of Directors and was informed of all key developments and pending decisions. Important decisions were presented to the Supervisory Board for agreement, which was then also granted after reviews and assessments had been undertaken. Based on the reports provided by the Board of Directors, the Supervisory Board monitored, and provided advice on, the Board of Director's management activities in line with the tasks assigned to the latter by law and by INTERSEROH SE's statutes. This monitoring function on the part of the Supervisory Board focused in particular on issues of legality, propriety, expedience and profitability. On the one hand, the Supervisory Board monitored the activities already undertaken by the Board of Directors. On the other, the Supervisory Board intensively discussed future-oriented business decisions and forecast scenarios with the Board of Directors based on its reports and review and consideration of the relevant specific business documents and submissions.

Main focus points

The Board of Director's reports were discussed in detail in the ordinary meetings. Important individual measures and strategic issues were discussed with the Board of Directors.

In addition to the function of monitoring the Company's management, consultation on, and discussion of, the strategic orientation of the Interseroh Group were in the forefront.

Detailed consultation on the measures to be decided upon by the Supervisory Board in connection with the control and profit transfer agreement with the ALBA Group plc & Co. KG constituted a core topic.

Other areas of focus were various M&A projects (acquisition of Elvira Westarp

GmbH, planned acquisition of a recycling company in the field of non-ferrous scrap), the transfer of the companies of the raw materials trading segment to the ALBA Group plc & Co. KG based on the instruction of ALBA Group plc & Co. KG, the agenda of the ordinary Shareholders' Meeting with proposals for resolutions, as well as the transfer of the Interseroh loan agreement to ALBA Group financing.

Furthermore, the Supervisory Board drew up objective criteria for potential future members of the Supervisory Board, which related to competence, diversity and personality.

The Supervisory Board also conducted a self-assessment of its activities as part of these sessions.

Committees

To comply with the recommendations of the Corporate Governance Code the Supervisory Board established four committees that mainly undertake advisory or preparatory functions for the resolutions in the Supervisory Board's plenum sessions.

The **Presiding Committee** consists of the Chairman of the Supervisory Board and his two deputies, Mr. Friedrich Carl Janssen and Mr. Peter Zühlsdorff. In five ordinary sessions the committee dealt in particular with the Interseroh Group's earnings situation, the status of licensed quantity developments, the efficiency review of the Supervisory Board, personnel questions, planned acquisitions and preparations for the General Shareholders' Meeting. The Presiding Committee also prepared the Supervisory Board meetings with the relevant agenda items.

The **Nominating Committee** did not meet in fiscal 2011, since no elections of Supervisory Board members were required during this period.

The **Audit Committee** comprises Dr. Werner Holzmayer, the Chairman, and Mr. Peter Zühlsdorff and Mr. Roland Junck. It met four times in fiscal 2011, once in a conference call. Its activities revolved around issues in connection with the annual financial statements, the determination of areas of focus for the audit, internal audit planning, evaluation of the control and profit transfer agreement, the internal control system for each segment, volume clearing as part of the dual system and policy on provisions in the case of the business unit, Dual System Interseroh (DSI). In addition, the members of the Audit Committee were regularly informed by the Board of Directors about ongoing business developments.

The **Personnel Committee**, also consisting of three members, discussed remuneration and other personnel matters relating to the Board of Directors and submitted relevant proposals to the Supervisory Board in its plenary session. Topics of the Personnel Committee were dealt with during sessions of the Presiding Committee, since the same members sit on both committees.

Corporate Governance and Declaration of Compliance

During the year under review the Supervisory Board discussed Corporate Governance. Reference is made to the Corporate Governance Report concerning details of corporate governance at INTERSEROH SE.

During its session on December 7, 2011, the Supervisory Board adopted the joint Board of Directors and Supervisory Board declaration of compliance with the German Corporate Governance Code for 2011. This declaration has been posted and made public on the Company's website.

In line with the principles of good corporate governance, Dr. Axel Schweitzer and Dr. Eric Schweitzer did not take part in any of the consultations and resolutions of the Supervisory Board or its committees affecting the relationships between Interseroh Group companies on the one hand and companies in which Dr. Axel Schweitzer and Dr. Eric Schweitzer hold a direct or indirect interest on the other. Dr. Axel Schweitzer and Dr. Eric Schweitzer have not taken part in the consultations and resolutions of the Supervisory Board or its committees for the reasons indicated above in a total of two instances in the period under review until the present time (approval of control and profit transfer agreement with the ALBA Group plc & Co. KG and inclusion of Interseroh companies in the ALBA Group loan agreement).

Individual and Consolidated Financial Statements, External Audit

The external audit firm of KPMG AG Wirtschaftsprüfungsgesellschaft, Cologne, appointed by the General Shareholders' Meeting, has audited INTERSEROH SE's 2011 financial statements in accordance with the principles of International Financial Reporting Standards (IFRS) as they are to be applied in the European Union and in accordance with the additional regulations that apply under commercial law in accordance with section 315a of the German Commercial Code, including its management reports and book-keeping and in each case provided an unqualified audit opinion.

According to the findings of KPMG the annual financial statements convey a true and fair view of INTERSEROH SE's net assets, financial position and results of operations. The consolidated financial statements accurately reflect the Group's net assets, financial position and results of operations, in accordance with International Financial Reporting Standards.

The Audit Committee and the Supervisory Board discussed the financial statements documentation and audit reports, as well as the report on dependency, in detail in its sessions on March 26, 2012. The auditor participated in these meetings, reported on the key findings of his audit and was available for additional questions and information. After reviewing and discussing the annual financial statements, the consolidated financial statements and the management reports, the Supervisory Board agreed with the findings of the audit. No objections are to be raised after the final examination by the Supervisory Board. In accordance with the recommendations of its Audit Committee, the Supervisory Board endorsed the annual financial statements and consolidated financial statements prepared by the Board of Directors. The financial statements are thereby ratified.

Risk Management

KPMG also reviewed the structure and function of the risk management system as part of its audit and found no reason to raise objections. It is also the opinion of the Supervisory Board that the risk management system meets the statutory requirements.

Changes in the Supervisory Board and the Board of Directors

The members of the Supervisory Board and its committees remained unchanged in fiscal 2011. There were also no changes in the composition of the Board of Directors.

The Supervisory Board wishes to thank the Board of Directors, as well as the employees of the Interseroh Group, for their work during the 2011 fiscal year.

Cologne, March 2012

Supervisory Board
Dr. Eric Schweitzer
Chairman

The Share

Share information

Security type: Domestic share, bearer share
Quoted: Regulated markets in Frankfurt, Dusseldorf and in XETRA trading; regulated unofficial markets in Stuttgart, Munich, Hamburg and Berlin-Bremen
End of fiscal year: 31.12.
Shareholders subject to reporting requirements: ALBA Group plc & Co. KG, Berlin
Voting rights of the ALBA Group plc & Co. KG, Berlin, are to be attributed to Dr. Axel Schweitzer and Dr. Eric Schweitzer in accordance with Section 22, paragraph 1, clause 1 (1) of the German Securities Trading Act via ALBA Finance plc & Co. KGaA, ALBA Finance Holding plc, ALBA Group Europe plc, Alpsee Ltd. and Eibsee Ltd., each with statutory headquarters in London, UK, and administrative headquarters in Berlin. On December 31, 2011, these voting rights arose from 8,395,849 shares (85.324 percent).
Float: (14.646 percent)
Arithmetic par value: EUR 2.60
Shares: 9.84 million
Ticker symbol: ITS
Bloomberg code: ITS:GR
Reuters code: INSG.de
ISIN: DE0006209901
German securities identification number: 620990

The price of the Interseroh share developed extremely positively in fiscal 2011. The opening price on the first day of trading on the electronic trading platform XETRA was EUR 44.30, the closing price on December 30 was EUR 52.93. While the earthquake in Japan and the European debt crisis had an effect on the DAX and other leading stock indices, the INTERSEROH SE share remained relatively unaffected.
In August the security was one of the few shares in Germany that did not suffer losses in at least double digits. Turbulence in the global stock markets in September also failed to have an impact on the share price of the Cologne company.

The control and profit transfer agreement between ALBA Group plc & Co. KG and INTERSEROH SE announced as early as December 10, 2010, strongly influenced the positive development of the Interseroh share. Once the attractive equalisation payment was published after the contract was signed, the share closed at the end of March 2011 with a 9.24 percent increase over the last day of February. The equalisation payment amounts to EUR 3.94 gross per Interseroh share for each full fiscal year minus corporate taxes plus a solidarity surcharge according to the rate applicable to these taxes for the relevant fiscal year.

Communication with the financial markets by means of road shows and individual discussions on the part of the Board of Directors and Investor Relations staff was ongoing throughout the year under review.

In addition Interseroh financially supported an investor forum of the Deutsche

Schutzvereinigung für Wertpapierbesitz e. V. (DSW - German Association for the Protection of Securities Holders). German and international publicly owned firms held presentations at these events, which are free of charge to interested parties. Private investors have opportunities to obtain information that would otherwise be available only to institutional investors and analysts, for instance, direct discussion with management.

The ordinary General Shareholders’ Meeting on May 17, 2011, voted to accept all agenda items by a large majority. The General Shareholders' Meeting also approved the control and profit transfer agreement entered into between the ALBA Group plc & Co. KG, Berlin, and INTERSEROH SE, Cologne.

Appropriation of INTERSEROH SE profits

In accordance with item 3.1 of the control and profit transfer agreement with ALBA Group plc & Co. KG, INTERSEROH SE transfers all the profits to the controlling company pursuant to statutory requirements.

ALBA Group plc & Co. KG guarantees those external INTERSEROH SE shareholders a recurring payment for the duration of the agreement (the so-called equalisation payment). The equalisation payment amounts to EUR 3.94 gross per Interseroh share for each full fiscal year minus corporate taxes plus a solidarity surcharge according to the rate applicable to these taxes for the relevant fiscal year.

Accordingly, external shareholders receive EUR 3.25 net per share for 2011.

Corporate Governance Report

Declaration of Compliance

Interseroh has observed the German Corporate Governance Code (DCGK) since its introduction in 2002. The Board of Directors and Supervisory Board identify with the recommendations and suggestions of the code. Instances in which the Group has deviated from the recommendations of the DCGK in isolated cases are stated in the declarations of compliance by the Board of Directors and Supervisory Board of INTERSEROH SE. These declarations can be found on the Internet under: http://www.interseroh.com, Corporate, Investor Relations, Corporate Governance, Declaration of Compliance.

Since the submission of their most recent declaration of compliance in December of 2011, Interseroh has complied with all recommendations of the Government Commission on the German Corporate Governance Code in the version dated May 26, 2010, with only a few exceptions.

Exception from item 2.3.1

Absentee voting does not take place. Since INTERSEROH SE statutes do not authorise absentee voting, this recommendation is not applicable to INTERSEROH SE.

Exception from item 2.3.2

The General Shareholders' Meeting is not convened electronically with accompanying documentation.

At INTERSEROH SE’s ordinary General Shareholders’ Meeting on May 17, 2011, 7,610,590 of the total number of issued shares of 9,840,000 were represented. This corresponds to 77.34 percent of capital stock. Due to the large presence of capital stock represented, one can assume that the traditional use of mail services to send the invitation is sufficient and that additional transmission by email does not constitute a particular benefit to shareholders.

Exception from item 4.2.3

The remuneration of the members of INTERSEROH SE’s Board of Directors is not based on a multi-year assessment basis, but on two components: Fixed annual remuneration and variable participation. Both members of the Board of Directors are closely connected with the companies, on the one hand as major shareholder and on the other due to integration of the family business. Given these special circumstances, no additional financial incentive for an interest in long-term corporate development needs to be provided.

Exception from item 5.1.2

Members of INTERSEROH SE’s Board of Directors can be appointed for a term of over five years in order to assure a long-term succession plan. No age limit has been specified for members of the Board of Directors. Due to the conviction that long-term corporate planning is financially beneficial to the Company, INTERSEROH SE’s statutes allow for appointment of members of the Board of Directors for a period of six years and without age limits. The selection of new members takes place based on qualifications; there is no intention to institute a quota for women.

Exception from item 5.4.1

Since the Supervisory Board is not permitted to specify the election of Supervisory Board members by the shareholders, it is using goals for nominations as reflected in the DCGK; these are reported on in the course of a nomination. At the same time the Supervisory Board makes clear that no suggestions will be submitted or withheld respectively, because a candidate does or does not possess a specific quality of diversity.

Exception from item 5.4.2

Dr. Eric Schweitzer, Chairman of the Supervisory Board, is the Chairman of the Board of Directors of ALBA Group plc & Co. KG, Berlin. In composing the Supervisory Board, professional consultancy services and monitoring of management are major factors. Supervisory Board members can be appropriate for these functions, even if they do not meet the independence criteria as set forth in item 5.4.2 of the German Corporate Governance Code.

Exception from item 5.4.6

Members of the Supervisory Board are paid for their monitoring activities. Members of the Supervisory Board receive no performance-oriented remuneration in addition to the fixed remuneration based on their duties. There are no plans to introduce variable remuneration, since it is the Company's belief that such remuneration does not significantly improve the incentive to monitor the Board of Directors.

Corporate Governance Practices

Good corporate governance, as understood by INTERSEROH SE’s Board of Directors and Supervisory Board, encompasses all principles for responsible, transparent and value-oriented corporate management. The objective of good corporate governance is to send a message of reliability, to secure the confidence of shareholders, business partners, staff and the general public and to influence the intrinsic value of the company positively over the long term.

The aims of maintaining good corporate governance, to which the Supervisory Board and Board of Directors of INTERSEROH SE are committed, are consistently followed by the boards. They are codified to a large part in applicable laws, the Company’s statutes and rules of procedure, as well as the internal guidelines and mission statement of the Interseroh Group (at: http://www.interseroh.com, Corporate, Company, Mission Statement). The documents required for employees are available in the Intranet at any time.

Interseroh undertook comprehensive measures in 2011 with a view to strengthening the awareness of employees in terms of how to behave as entrepreneurs in competition. Appropriate training measures were implemented to this end.

Furthermore, a proper level of risk management is an integral component of good corporate governance for Interseroh. The company-wide risk management system, consisting of the identification, analysis, control and monitoring of risk, was thoroughly revised in the year under review, in addition to being under continuous development (refer to D.5, Risk Management System and the Internal Control System and E.1. Report of Risks and Opportunities). Interseroh assures a level of risk management via this system that continues to be commensurate with strong growth.

Total Return on Capital Employed as Management Instrument

The Board of Directors of INTERSEROH SE lays out the strategy for the business segments, as well as for subsidiaries of the Interseroh Group, and manages their business within the context of existing legal options. The management system aims at a reasonable return on capital employed.

To meet this goal, the main management parameter for subsidiary companies is the total return on capital employed. This is defined as the ratio of EBIT to total capital. Furthermore, the discounted cash flow method is used to value investments, both in financial and fixed assets. Future payment surpluses are discounted using weighted capital costs on the valuation date. Together with a required minimum return and a minimum amortisation period, the cash values achieved by every single investment should secure and increase the Group’s total return on capital employed.

Due to the high share of trading business and the volatility of raw materials prices, the return on sales figure often used by other groups is not a meaningful parameter for the Interseroh Group as a total entity.

Transparency

The Board of Directors informs shareholders, analysts and the general public regarding business developments, as well as the Interseroh Group's net assets, financial position and results of operations, four times a year. The dates can be found in the financial calendar on the Internet.

INTERSEROH SE provides information to the capital markets as a listed company in accordance with all statutory requirements and is also represented on the Deutsche Börse. All information of relevance to capital markets is published on Interseroh's website in an Annual Document in accordance with section 10 of the German Securities Prospectus Act.

Shares in the Company and related financial instrument owned by members of the Board of Directors and the Supervisory Board are listed in the Notes. A total of 85.324 percent of shares and thereby voting rights from 8,395,849 shares were attributable to Dr. Axel Schweitzer and Dr. Eric Schweitzer, according to Section 22, paragraph 1, clause 1, no. 1 of the Securities Trading Act; they are held directly by ALBA Group plc & Co. KG.

Description of the Working Method of the Board of Directors and Supervisory Boards

The Board of Directors and Supervisory Board work together closely on an ongoing basis for the well-being of the Interseroh Group.

Board of Directors and Management Committee

Interseroh's Board of Directors in fiscal 2011 consisted of two persons. It is the management body of the Company. The Board of Directors is committed to the Company's interests and its goal is the sustained development of shareholder value. The Board of Directors has adopted rules of procedure with the consent of the Supervisory Board. The members of the Board of Directors cooperate as colleagues and inform one another on an ongoing basis on important measures and events in their business segments. The Board of Directors is required to inform the Supervisory Board in writing on the course of business and the Company's situation at regular intervals, but at least on a quarterly basis. Furthermore, the Board of Directors is required to inform the Chairman of the Supervisory Board regularly and in timely fashion on issues of planning, business development, the risk situation, risk management and compliance, including as they relate to associated companies, both orally and, if the Chairman wishes for a factual report, in writing. The Chairman of the Board is responsible for coordinating the work of the Board of Directors. In order to conduct certain legal transactions, the Board of Directors requires the consent of the Supervisory Board. These conditional transactions are addressed in the Company's statutes and the Board of Director's rules of procedure. They include the acquisition of investments, property and fixed assets, as well as employment contracts above a certain level, decisions regarding new branches of business, assigning and rescinding powers of attorney for INTERSEROH SE, pension commitments and bond issues.

The Management Committee was dissolved effective August 1, 2011.
Members of the Supervisory Board and Board of Directors shall disclose any conflicts of interest immediately to the Supervisory Board.

Significant transactions between the Company and members of the Board of Directors or related parties were submitted to the Chief Compliance Officer for comment. The latter provided a recommendation for action taking into account relevant statutory and internal regulations. To the extent that such conflicts of interest existed in fiscal 2011, the respective members of the boards refrained from voting and submitted the matters concerned for comment as indicated.

Supervisory Board

The plenary Supervisory Board consists of six members. The Supervisory Board, the Presiding Committee and the committees of the Supervisory Board – Personnel Committee, Nominating Committee and Audit Committee, each with three members – convene on a rotating basis and as necessary in accordance with the rules of procedure of the Supervisory Board. Membership of the Presiding Committee is identical to the membership of the Personnel Committee. The Presiding Committee's task is to deal with issues that may require immediate measures on the part of the Board of Directors, with approval of the full Supervisory Board to take place at a later stage. The Audit Committee's special task is to prepare negotiations and resolutions for the Supervisory Board regarding questions on accounting, risk management, the requisite independence of the auditor, the award of the audit assignment to the auditor, the determination of the audit focus and the fee agreement with the auditor. Furthermore, the Audit Committee deals with transactions of special significance. The Audit Committee is chaired by neither the Chairman of the Supervisory Board nor a former member of the Board of Directors of the Company. The Supervisory Board forms a Nominating Committee, which recommends suitable candidates to the Supervisory Board to in turn be recommended for appointment at the General Shareholders' Meeting. The Nominating Committee members are identical to those of the Presiding Committee. The Personnel Committee prepares personnel decisions and the decision of the plenary Supervisory Board regarding remuneration of Board of Directors members. The Supervisory Board conducts an efficiency review of its work once a year; this is prepared by the Presiding Committee.

Remuneration system

Board of Directors

The annual compensation of the members of the Board of Directors is made up of a non- performance-related component and a performance-related bonus. There are no further components, such as stock option plans. The non-performance-related components consist of fixed remuneration and fringe benefits, such as the use of a company car. The bonus is determined by the Supervisory Board on the basis of existing contracts.

On June 21, 2007, the General Shareholders' Meeting resolved to apply the exemption from the obligation to disclose remuneration of the Board of Directors on an itemised basis in accordance with section 286, paragraph 5, of the German Commercial Code. Please refer to D.3. Compensation Report for information on the amount of the remuneration of the Board of Directors in 2011.

Total remuneration for individual Board of Directors members is determined by the Supervisory Board in a plenary session, including any Group payments, based on a performance assessment. The individual Board of Directors member's tasks, his personal performance, the financial situation, the success and future prospects of the Company constitute the criteria for the appropriateness of remuneration; another criterion is customary remuneration in the comparator environment and the remuneration structure that applies elsewhere in the Interseroh Group.

Supervisory Board

In accordance with section 16, paragraph 1, of INTERSEROH SE's statutes dated June 29, 2010, the Chairman and Deputy Chairman of the Supervisory Board each receive remuneration of EUR 45,000 net per annum. Every other member of the Supervisory Board receives compensation of EUR 30,000 net per annum. If members of the Supervisory Board work on one or more committees without at the same time functioning as Chairman or Deputy Chairman of the Supervisory Board, they receive additional compensation of a single payment of EUR 10,000 net per annum to compensate them for their committee work. Compensation is payable at the end of the fiscal year. Please refer to D.3. Compensation Report for information on the amount of the remuneration of the Supervisory Report in 2011.

INTERSEROH SE
Cologne

Group Management Report
for the fiscal year from January 1, 2011, to December 31, 2011

The Interseroh Group is one of the leading environmental service providers, recycler and trader of steel and metals scrap in Europe. As a service provider, Interseroh organises recycling processes and, as a supplier of steel works, smelters and foundries, Interseroh supplies processing industries. The business activities of the Interseroh Group are divided into two segments – steel and metals recycling and services. Until September 30, 2011, Interseroh also traded recovered paper, secondary resources and waste wood. These activities were combined under the raw materials trading segment. The companies in the Raw Materials Trading segment were sold to the holding company of INTERSEROH SE, the ALBA Group plc & Co. KG, Berlin, as of October 1, 2011. The consolidation with the ALBA business division allows optimal bundling of the raw materials activities of the entire group in the future, as well as the development of new markets for paper and plastics, for instance, in Western and Southern Europe. INTERSEROH SE is the only German environmental service provider and steel and metals scrap trader listed on the stock exchange.

On March 28, 2011, a control and profit transfer agreement was entered into between ALBA Group plc & Co. KG, as controlling company, and INTERSEROH SE, as controlled company. A large majority of the General Shareholders' Meeting approved the agreement on May 17, 2011. The transaction was entered into the commercial register on May 26, 2011. With the merger of both corporate groups under the umbrella of the ALBA Group, the first vertically structured corporate group in Germany has been created, one which, alone in Germany, plays a leading role in the licensing market, the waste disposal market and in the supply of secondary resources to the industry. In Europe it is one of the five groups in the industry with the largest sales revenues, globally one of the top ten.

The control and profit transfer agreement provides for an equalisation payment (guarantee dividend) or a lump sum payment for external shareholders. The calculation of the amount of the equalisation payment and lump sum payment is based on a detailed company valuation. The valuation complied with the standard promulgated by the Institut der Wirtschaftsprüfer (Institute of Chartered Accountants in Germany) – IDW S 1 – Principles on performing company valuations. The valuation was reviewed by an expert appointed by the courts and details were provided in a report. Under the agreement the ALBA Group plc & Co. KG is required, at the request of any external shareholder of INTERSEROH SE, to acquire his bearer shares with a notional share in capital stock of EUR 2.60 per share for cash compensation of EUR 46.38 for each Interseroh share (cash compensation offer). Those external Interseroh shareholders preferring not to accept the cash compensation offer are entitled to receive a recurring payment for the duration of the agreement (equalisation payment). The equalisation payment amounts to EUR 3.94 gross per Interseroh share for each full fiscal year minus corporate taxes plus a solidarity surcharge according to the rate applicable to these taxes for the relevant fiscal year.

A legal challenge under the German Award Proceedings Act regarding the level of the cash compensation and equalisation payment is pending at the District Court in Cologne.

A. Framework Conditions

1. General Economic Development

Fiscal 2011 was characterised by two different phases in the developed economies (such as the US, Japan, Germany, France and Sweden). After an economically positive first half of the year, prospects deteriorated significantly starting in July. Business climate indicators reflected increasingly pessimistic expectations on the part of both companies and households; the collapse in share prices indicated a downturn. The reason for the loss of confidence consisted primarily of the discussion on the raising of the debt ceiling in the US, the struggle in the European Union for an assistance package for Greece and the reform of the bail-out fund.

At the beginning of November the European Central Bank reduced the central rate, justifying this step on the basis of the risk of a further weakening in the euro zone economy and the danger of a recession. The drop in interest rates would lead to cheaper loans and stimulate the inclination to invest on the part of companies, as well as the consumer's propensity to consume; this was the rationale of the European Central Bank.

The European debt and confidence crisis also depressed the German economy - to a much lower degree, though, than in most of the countries in the euro zone, due to Germany's strong industrial base. Private consumption had a more positive impact here due to higher employment rates. Germany evidenced a rise in economic output in the first three quarters; in the fourth quarter output shrank by 0.25 percent. In total Germany’s economic production rose approximately 3 percent in 2011.

Demand in the emerging countries remained strong as compared to the developed economies. The economy in these countries did slow in the summer, but this slowdown was induced by economic policy in China, India and Brazil, due to inflationary trends, and was moderate in nature.

2. Changes in Legal Framework Conditions

On October 28, 2011, Parliament agreed the revised draft legislation on the German Life-Cycle Resource Management Act after a second and third reading. By majority vote the Federal Council argued for further changes to the law in a session on November 25, 2011, and called for the Arbitration Commission with regard to paragraph 17 of the German Life-Cycle Resource Management Act (commercial collection). The states urged elimination of the quality criteria in paragraph 17. The passage stipulates that commercial collection (e.g. of paper or scrap) can only be forbidden to private recycling companies, if the public system is no worse for the consumer from an ecological and cost perspective.

The Arbitration Committee was unable to reach consensus on December 14,

2011. On February 8, 2012, the committee agreed that private firms could only take over commercial collections if they were significantly more efficient than the public system. The National Association of the German Waste Disposal, Water Management and Raw Materials Sectors (the BDE) announced that it would file a suit against the law with the European Commission.

Further developments regarding this decision are pending. Management is not expecting any major impact on the business activities of the Interseroh Group based on the current status.

B. Course of Business

1. Sales revenues and earnings

Improved margins, slight increases in sales and prices above the previous year positively impacted the steel and metals recycling segment; the business divisions of services and raw materials trading, however, were affected by a more troubled market environment. Nevertheless, Interseroh succeeded in achieving one of the best results in the Group's history in fiscal 2011.

Consolidated sales from continuing business divisions (excluding the raw materials trading segment) amounted to EUR 2,210.67 million (previous year: EUR 1,832.18 million). Earnings before interest and taxes and shares in earnings of associated companies (EBIT) amounted to EUR 55.90 million (previous year: EUR 58.09 million) and earnings before taxes (EBT) to EUR 40.44 million (previous year: EUR 42.03 million).

EBIT was EUR 54.78 million adjusted for deconsolidation profits (prior year: EUR 48.57 million on an adjusted basis), while EBT was EUR 39.33 million. Interseroh thus achieved an increase in EBT of EUR 6.69 million above the previous year's figure of EUR 32.51 million adjusted for deconsolidation profits.

The steel and metals recycling segment earned the highest share of sales and earnings. Sales rose from EUR 1,384.46 million to EUR 1,743.54 million. EBIT in this segment totalling EUR 33.88 million (previous year: EUR 35.45 million) and EBT in the amount of EUR 16.67 million (previous year: EUR 19.46 million) failed to fully keep up with the positive sales trend.

The services segment generated sales revenues of EUR 478.75 million (previous year: EUR 452.89 million). Despite the difficult market environment, EBIT in this segment amounted to EUR 22.12 million (previous year: EUR 22.67 million) and EBT to EUR 23.77 million (previous year: EUR 22.57 million).

Sales between segments of EUR 11.62 million (previous year: EUR 5.17 million) were consolidated. Inter-segment consolidations equalled EUR 0.10 million (previous year: EUR 0.03 million). Inter-segment consolidations that would tend to impact EBT did not occur, as in the previous year.

Sales in the raw materials trading segment amounted to EUR 127.76 million (9 months of the previous year: EUR 107.67 million). EBT totalled EUR 3.45 million (9 months of the previous year: EUR 7.66 million).

Consolidated earnings totalled EUR 37.15 million (previous year: EUR 34.07 million).

2. Steel and Metals Recycling

Interseroh ranks among the top 3 German scrap treatment companies and, in addition, plays a leading role in European export of non-ferrous metals to Asia. Interseroh has a network of approximately 92 steel and metals recycling sites, as well as trading offices in Germany, Poland, the US, the Netherlands and China (including the locations of associated companies).

In 2011 the Group traded 445,277 tons of non-ferrous metals and 2,583,618 tons of steel scrap.

Developments in price and demand

Continued high demand from European industry characterised sales of steel scrap at the beginning of fiscal 2011 and declined considerably during the course of the year, especially in the fourth quarter. Interseroh achieved increases in sales quantities both in Europe and in Asia in non-ferrous metals.

Steel scrap prices for all types of scrap were above the previous year's levels. According to information provided by the steel trade association, prices for the leading scrap type 2 fluctuated between EUR 311.00 (December) and EUR 359.90 (July) per ton. All in all, the average price level in the year under review was EUR 345.50 (previous year: EUR 287.80 per ton). Average prices for non-ferrous metals remained at a high level until the middle of the year, but were extremely volatile. They collapsed dramatically in August due to turbulence on the stock exchanges and reached a two-year low in November. Great uncertainty in the markets resulted in a difficult sales situation in the second half of 2011.

Crude steel production exceeded previous year's levels in all of Europe. The European steel industry, however, responded to lower sales in the fourth quarter with a reduction in production capacity. Interseroh was in a position to respond to this situation based on its internationally oriented sales strategy and a broad network of operating sites and trading locations and even increase its steel scrap quantities marketed in comparison to 2010. The massive expansion of our container business with steel scrap in the direction of Asia was a significant further step towards the internationalisation of sales channels in the year under review.
Interseroh also strengthened its market position in trading in non-ferrous metals due to the closer networking of operating sites and trading locations, as well as the further development of export competence. Optimised consolidation of quantities within the segment allowed for an increase in quantities sold in 2011, both in Europe and Asia.

The new business segment of 'alloyed scrap' developed well in 2011. Here, too, sales have increased in comparison to the previous year. Interseroh, spurred by its success to date, has established an additional location in North Germany.

Stock acquisitions

INTERSEROH Scrap and Metals Holding GmbH, Dortmund, acquired the remaining 51 percent of fm Beteiligungsgesellschaft mbH, Lübbenau, effective January 1, 2011, which was subsequently merged with the former.

Also as of January 1, 2011, INTERSEROH Scrap and Metals Holding GmbH raised its investment in Europe Metals B.V., Heeze, the Netherlands, from 60 to 100 percent.

INTERSEROH Scrap and Metals Holding GmbH, took over Elvira Westarp GmbH, Aschaffenburg, effective September 1, 2011. With this step Interseroh expanded its portfolio in the field of collection, transport and recycling of steel and metal scrap and strengthening its site structure in the areas of Rhine-Main and Lower Franconia.

3. Services

As systems service providers INTERSEROH Dienstleistungs GmbH, Cologne, and its subsidiaries offer solutions in the categories of recycling, logistics and production-ready secondary resources.

Responsibility for operations in the services segment is assumed by the business units; their development during 2011 is reported on below:

Transport Packaging

INTERSEROH organises and coordinates the take-back of transport packaging for its contracting partners in trade and commerce. Collection, transport, sorting and recovery of packaging are among the core processes.

The transport packaging recycling market was again influenced by new competitors with their pricing policies in 2011. Based on the price adjustments required, licence proceeds were slightly below the previous year's levels as a result. Marketing proceeds on the other hand were significantly higher than 2010, due to conditions in the raw materials markets.

Late orders in 2010, as well as higher incoming orders in the industry, as a result of the economy, led to higher volumes of transport packaging and in turn to an increase of the licence volume. The system was able to assert itself against its competition and remain at the same quantity levels in 2011 due to intensive customer development. Because of the broad disposal network throughout the country, numerous new customers have joined the system in the year under review.

Sales Packaging

The business segment of sales packaging was also in 2011 marked by a high degree of competitive intensity with associated adverse effects on earnings.

The number of contracts and sales in the field of household sales packaging was once again raised in the first nine months of the year under review. Effective of the fourth quarter, Interseroh separated from a large group of customers in accordance with the contract; this resulted in a significant reduction of market share and revenues. The reason for this step was that the overall market situation in the dual system, in contrast to what had been assumed when the contract was entered into, had come to a head due to the exploitation of interpretational liberties in the Packaging Ordinance on the part of some market competitors. On the whole, price levels in fiscal 2011 were under extreme pressure.

Interseroh joined an initiative of the National Association of German Waste Disposal, Water Management and Raw Materials Sectors (BDE) by signing a certificate to ‘assure packaging disposal’ at the beginning of the fiscal year. Under this agreement Interseroh commits to allowing an external auditor to check proper compliance with the packaging ordinance. The objective is to confirm compliance with the legal regulations by an external authority as well now, with a view to assuring customers with respect to legality. Interseroh stresses the usefulness of the BDE certificate and continues to work towards consistent testing on compliance with the Packaging Ordinance by the authorities.

On average for the year the Interseroh market share represented more than 16 percent in light packaging, in excess of 15 percent in paper and over 14 percent in glass (according to fourth quarter 2011 reporting).

Interseroh Recycling Solutions

The business unit, Interseroh recycling solutions, encompasses the full range of physical store, warehouse and production facility waste disposal, as well as the recovery and/or marketing of materials extracted. Individual solutions are developed in line with customer wishes.

This service, with a strong consultancy component, continued to be shaped by a high level of competitiveness, consolidation trends and the entry of new competitors in the market.

Nevertheless, the business unit was able to increase contract volume slightly in 2011, strengthen its market position and contribute positively to earnings.

Another major customer was attracted in the automotive customer segment and the previous position thus extended further. Implementation of tied-in business within and across segments, based on the systems approach, has also played an important part.

Furthermore, expansion of earnings powered by means of internal measures, including in connection with the automation of order processing, has been successful.

Waste Electrical and Electronic Equipment

Interseroh organises the take-back and recovery of waste electrical and electronic commitment in accordance with the Electrical and Electronic Equipment Act. Furthermore, the service provider prepares the legally required documentation and assists its customers in the areas of registration, reporting, guarantees and trusteeship.

Steel and metal scrap prices that were higher on average than those in 2010 resulted in a significant improvement in cost structures on the recycling side in the waste electrical and electronic equipment business unit.

The market was characterised by intense competition accompanied by margin pressures. Interseroh consciously avoided developing new customer groups by using contracts that failed to cover costs and concentrated on stabilising its systems business.

In this past fiscal year, Interseroh offered the disposal of lighting in industry, trade and commerce for the first time. The disused lighting from this service is recycled in accordance with the law.

Deposit system

In the course of collecting one-way packaging, Interseroh Pfand-System GmbH, Cologne, renders the requisite tallying services for bottles and tins in eleven tallying centres, brings about the required pick-up of collected one-way packaging from the collection points and provides deposit clearing of relevance to the reclaiming of deposit money expended. Furthermore, the Company markets the raw materials extracted in the process (PET, glass, aluminium and tin foil). These business units, as anticipated, suffered sales losses during the period under review. The main reason for this was the decision of a major customer to take care of deposit clearing in-house in future, as well as the wishes of several other customers to implement the operation of services such as logistics, marketing and tallying via their own newly developed capacities. Other customers changed over to automats for deposit packaging at collection points, so that tallying volumes decreased correspondingly. The attraction of new customers and a considerably higher price level for marketed secondary resources compared to 2010 could not fully compensate for the drop in sales. A multi-year contract with one existing client was successfully extended. With a view to strengthening business development, a deposit tallying centre was opened for the Frankfurt region at the beginning of July 2011 in cooperation with a recycling company in Alzenau.

Pool-System

Interseroh’s pool system is a new business unit of the Group; avoiding waste is in the forefront in this system. Returnable transport packaging is used in an innovative circulation system along the supply chain from the producer to the store. This also enhances presentation of the goods at the retail level. In order to maintain hygiene standards after sale of the produce all boxes are cleaned in washing centres operated by Interseroh and boxes that do not reflect the supply chain standard are repaired. Irreparable returnable transport packaging is used to manufacture new boxes in a closed recycling loop.

The INTERSEROH Pool-System GmbH, Cologne, optimises the pool stocks by synchronising collections from the retail market on a national basis, by means of international deliveries to the fruit and vegetable retail network and by means of central washing capacities.

2011 was characterised by the optimisation and further expansion of operating activities for customers acquired in 2010. The business was briefly negatively impacted in June due to the EHEC (enterohaemorrhagic E. coli) crisis. Consequences included higher costs for cleaning the boxes and reduced use of the boxes with sales losses. At the beginning of the third quarter, however, the market settled down again.

Central and Eastern Europe

Interseroh operates in Central and Eastern European recycling markets with its own companies. They include Austria, Slovenia, Poland and Croatia.

Since September 2, 2011, the company, EVA Erfassen und Verwerten von Altstoffen GmbH, Vienna, has changed its name to INTERSEROH Austria GmbH, Vienna. The Austrian Interseroh subsidiary succeeded in again increasing sales and customer numbers during the year under review. Independent consulting on all issues of packaging disposal, offered since September of 2010, has developed extremely positively in the year under review.

As anticipated in the expansion phase, the collection systems that were started up in Slovenia in 2010 developed only slowly. Interseroh raised its market share in packaging recycling significantly, while only moderate growth was achieved in the recycling of electrical and electronic waste. The Interseroh collection system for batteries continued to be a market leader in 2011.

Interseroh has succeeded in further expanding its market share in Poland by taking over collection systems and by acquiring two major customers. The product portfolio was expanded by marketing, consulting and waste disposal solutions.

Business activities in Croatia were extended.

Niche Businesses and Low-Volume Logistics

REPASACK Gesellschaft zur Verwertung gebrauchter Papiersäcke GmbH, Wiesbaden, assures proper take-back and recycling of used paper bags from commerce and industry in line with the Packaging Ordinance – including the cleaning and treatment of the material in the Company's recycling facility in Oberhausen.

The paper bag tonnage licensed and marketed by the Company developed positively compared to the previous year. Licensed tonnage was slightly down.

INTERSEROH Product Cycle GmbH, Cologne, collects and sorts empty ink and toner cartridges from printers, copiers and fax machines and markets them to so-called re-fillers for refilling. Global demand on the part of re-fillers for empty ink and toner cartridges hovered at approximately the same extraordinarily high level of the previous year at the beginning of the first half of 2011. After this selling prices were under pressure, as expected, and softened significantly for several months. Reasons for this development included an increased supply of inexpensive knock-offs of the original cartridges from Asian manufacturers. Collection quantities, too, declined. The Company’s orientation towards buyers in the European market continued in 2011. Trading of refill products and original cartridges was suspended until further notice due to drooping demand and the accompanying focus on the core business.

Recycled Resource

Interseroh is accelerating its expansion into further systems services not regulated by legislators. In addition to the collection of empty modules and the pool system, Interseroh, together with companies in the plastics industry, has developed a new generation of plastic compounds under the brand name ‘procyclen®’, which consists of a 100 percent post-consumer material from the dual system and fulfils the requirements for previously utilised new goods.

The uncertainty of constant quality and availability has posed a problem for recycled plastics in the past. High-quality products made of procyclen® are now possible using the novel up-cycling process ‘recycled-resource’ by Interseroh. This allows the materials loop for used plastic products to be closed.

In the second half of 2011, for instance, paint buckets produced under the management of the recycled-resource segment were distributed to 320 locations of a German do-it-yourself chain around the country.

INTERSEROH Dienstleistungs GmbH (ISD) is to date the only company in Europe that has allowed a review for the second time in a row by the TÜV Rhineland Group in all nine categories of STAR ratings; this review took place in September of 2011. The comprehensive comparison analysed and assessed Interseroh’s responsibility vis-à-vis the environment, society, its employees and its business partners. ISD received the maximum five stars from this review (prior year: four stars) and achieved the top rating of ‘outstanding’ (prior year: ‘excellent’).

STAR stands for Sustainable, Trustworthy, Accountable and Responsible. Interseroh achieved the top rating of ‘outstanding' in eight (prior year: four) of the nine categories; the information security segment received the label 'excellent' (prior year: 'very good').

The key success factor of ISD and its subsidiaries is the systems business with additional benefits for existing customers via customised customer solutions that cut across business unit lines.

4. Raw Materials Trading

The companies in the raw materials trading segment were sold to the holding company of INTERSEROH SE, the ALBA Group plc & Co. KG, as of October 1, 2011, and consolidated with the ALBA business division. The development of the categories of paper, plastic and wood from January 1, 2011, to September 30, 2011, is described below.

Paper

Due to high demand from the European paper industry, prices rose to record highs by May, before the first decline occurred in June. Prices remained stable until September, but then fell again. At the beginning of the year the Asian markets determined price developments, but, as of March, were no longer willing to follow European price developments. On the whole, average prices for the first nine months of 2011 remained significantly above the levels of the same period in the previous year.

The total marketed tonnage of recovered paper fell vis-à-vis the same period in the previous year due to the sale of activities in France during the course of the past year. Quantities in Asia rose.

Plastics

Marketed plastics include in particular the commodities of LDPE foil, PET and a variety of hard plastics, as well as plastics generated from sorting post-consumer materials.

Quantities of plastic sold rose in the months of January to September 2011 compared to the first three quarters of 2010. Above all sales of foil and PET were increased. On the whole, prices were at previous year’s levels.

Collection activities of the Group were expanded to additional European countries. Furthermore, Interseroh managed to continue to expand its goods flow in Asia.

Effective January 1, 2011, RDB plastics GmbH raised its shares in ISR Interseroh Italia S.r.l., Genoa, Italy, from 50 to 100 percent.

Wood

The supply situation with regard to waste wood was positive in the first nine months of 2011 in response to the economy. This did, however, lead to falling recycling prices, so that increases in input prices – fees paid at wood sites upon delivery – were required. Demand for wood, both for material and thermal recycling purposes, declined compared to the first nine months of the previous year. Lower demand for material qualities was due to a reduction in capacity in the chip board industry. Fully stocked warehouses and audits of thermal recyclers resulted in lower sales of wood for thermal recycling.

C. Presentation and Explanation of the Net Assets, Financial Position and Results of Operations

1. Results of Operations

Following on consolidated earnings of EUR 34.07 million in the previous year, this figure was once again increased in 2011 - to EUR 37.15 million - despite the sale of the raw materials trading segment effective October 1, 2011. Consolidated earnings from the continuing business segments, steel and metals recycling and services, increased by EUR 3.83 million vis-à-vis the previous year, while earnings from the discontinued segment of raw material trading decreased by EUR 0.75 million, since they were achieved during a nine-month interval only.

Furthermore, detailed explanations regarding the results of operations primarily relate to the continuing segments of services and steel and metals recycling.

Sales revenues rose EUR 378.49 million (20.7%) over the previous year.

In the steel and metals recycling segment, modest increases in quantities, as well as a higher price point compared to the previous year in the case of steel scrap and non-ferrous metals have led to sales growth of EUR 359.08 million (25.9%) to EUR 1,743.54 million. This includes the effects of changes in the scope of consolidation of EUR 18.26 million.

The services segment was able to increase its sales revenues by EUR 25.86 million (5.7%) to EUR 478.75 million, of which EUR 14.93 million is related to the scope of consolidation.

Gross profit (sales revenues plus change in inventory minus cost of materials) was up EUR 24.44 million (7.8%) from EUR 314.62 to EUR 339.06 million. The gross profit margin (gross profit in relation to sales) fell from 17.2 percent in the previous year to 15.3 percent in the year under review. While the gross profit margin in the services segment rose slightly due to higher sales proceeds, it fell in the steel and metals recycling segment. The reason for this is that the per-ton margins did not rise to the same degree as the price per ton.

Other operating income has risen by EUR 11.18 million, despite the deconsolidation income in the previous year. This is primarily due to the fact that accrued obligations from the operative systems business in the services segment were liquidated in the previous year.

There was no impact on earnings from the sale of the raw materials handling segment.

The increase in personnel expense of 18.3 percent is due to higher employee numbers. Personnel expense rose by 6.3 percent when adjusted to changes in the scope of consolidation.

Sales commissions, in particular, climbed in the case of other operating expenses. This rise is directly related to greater business volume in the service segment.

Financial income improved over the previous year by EUR 1.28 million to EUR -15.70 million, primarily brought about by a rise in interest income of EUR 1.51 million.

As a result of entering into the control and profit transfer agreement, an income tax fiscal entity has been created with retroactive effect to January 1, 2011, and a sales tax fiscal entity has been created as of June 1, 2011, between INTERSEROH SE as subsidiary company and ALBA Group plc & Co. KG as controlling company. As the result of the income tax fiscal entity, all deferred tax assets and liabilities that relate to INTERSEROH SE and its subsidiaries were closed out. Tax income of EUR 0.35 million resulted after netting. No additional current taxes were recorded for INTERSEROH SE and its subsidiaries. For this reason previous year's figures cannot be compared with those of the year under review.

2. Net Assets

Total assets decreased slightly compared to the previous year (0.22%).

The reduction in intangible assets of EUR 7.59 million is due overwhelmingly to changes in the scope of consolidation. While the transfer of the raw materials trading segment brought about a reduction in intangible assets in the amount of EUR 13.33 million, the first-time consolidation of new companies at the same time led to an increase in the amount of EUR 9.76 million.

Property, plant and equipment reveal a similar picture. The transfer of the raw materials segment in this case led to a reduction in the amount of EUR 3.93 million, while additions to the scope of consolidation amounted to EUR 3.11 million.

Changes in financial assets accounted for using the equity method is the result, in addition to current earnings, of the disposal of the fm Group and ISR Interseroh Italia S.r.l. due to the first-time consolidation.

Non-current financial assets have been reduced due to a decrease in the market value of derivative financial instruments, as well as the elimination of a loan to an associated company.

As explained above, due to the ALBA Group plc & Co. KG’s status as the income tax fiscal entity, all deferred tax assets and liabilities that relate to INTERSEROH SE and its subsidiaries were closed out. This involved deferred tax assets of EUR 3.27 million and deferred tax liabilities of EUR 3.14 million.

Increases in inventory were due chiefly to a rise in warehouse stock. While finished goods inventory remained almost the same, merchandise has risen by almost 20 percent.

The reduction in trade receivables has been impacted by the sale of the raw materials trading segment in the amount of EUR 17.65 million.

Current financial assets include the purchase price from the sale of the raw materials trading segment, which has contributed the most to the change in this item.

In the year under review bank liabilities in the amount of EUR 10 million were repaid; as a result non-current financial liabilities are down.

The reduction in trade payables has been impacted by the sale of the raw materials trading segment to the tune of EUR -15.83 million.

The increase in other current liabilities relates in the main to liabilities from profit transfers to ALBA Group plc & Co. KG in the amount of EUR 30.11 million under the control and profit transfer agreement.

The total return on capital employed (ratio of EBIT including raw materials trading segment to total capital), a key indicator for the Group’s companies, is 8.8 percent in the year under review.

3. Financial position

Financing Measures

As a consequence of the control and profit transfer agreement between the ALBA Group plc & Co. KG and INTERSEROH SE the Interseroh syndicated loan agreement in the amount of EUR 130 million was absorbed in the syndicated loan agreement of the ALBA Group plc & Co. KG as of July 25, 2011, which in turn has been reduced due to cash inflows from the issue of an ALBA bond.

The existing loan of the Interseroh Group for refinancing existing liabilities in the amount of EU 80 million was transferred to facilities of the ALBA loan agreement when Interseroh joined in the ALBA Group syndicated loan agreement. Financing of general business activities by means of drawing down credit facilities under the ALBA loan agreement is possible up to at least the same level as was previously possible under the Interseroh syndicated loan agreement. During the year under review EUR 10.00 million of this loan was repaid.

The securities and guarantees offered by Interseroh were incorporated in the agreement at the ALBA Group level. Interest is charged at the EURIBOR rate plus a margin. The interest rate risk for refinancing existing liabilities is hedged with the appropriate hedging instruments (interest rate swaps and interest rate caps).

Reference is made to Note 38 in the Notes to the Consolidated Financial Statements regarding the financing measure based on asset-backed securities.

Due to strong internal financing power not just the level of cash and cash equivalents was raised in fiscal 2011; in addition, EUR 10.00 million in bank loans was repaid. Trade payables have dropped from EUR 97.1 million to EUR 84.50 million (EUR -12.60 million). For more detail reference is made to the cash flow statement and comments in this respect under Note 34 of the Notes to the

Consolidated Financial Statements.

Investment

Investments in intangible assets and property, plant and equipment in the year under review totalled EUR 14.10 million after EUR 19.18 million in 2010. EUR 11.92 million was invested in the steel and metals recycling segment, EUR 1.53 million in the services segment and EUR 0.65 million in the raw materials trading segment.

Please refer to Notes 18 and 19 in the Notes to the Consolidated Financial Statements regarding details on the allocation to individual items.

D. Additional Disclosures

1. Events after the Balance Sheet Date

There were no events of special importance that occurred after the balance sheet date.

2. Board of Directors and Supervisory Board

Board of Directors

The Board of Directors of INTERSEROH SE consists of Messrs. Axel Schweitzer and Joachim Wagner. Dr. Axel Schweitzer was the Chairman of the Board of Directors during the year under review and was responsible for the services segment and, until the sale of raw materials activities effective October 1, 2011, the raw materials trading segment. Joachim Wagner is responsible for the steel and metals recycling segment as part of his Board of Directors functions.

Supervisory Board

There were no changes to INTERSEROH SE's Supervisory Board in fiscal 2011. The composition of the Board can be found in the Notes to the Consolidated Financial Statements.

3. Compensation Report

Compensation of the Board of Directors

The annual compensation of the members of the Board of Directors is made up of a non-performance-related component and a performance-related bonus. There are no further components, such as stock option plans. The non-performance-related components consist of fixed remuneration and fringe benefits, such as the use of a company car. The bonus is determined by the Supervisory Board on the basis of existing contracts.

Compensation paid to members of the Board of Directors, including former members, in the 2011 fiscal year amounted to EUR 2.48 million (previous year: EUR 2.41 million). This amount contains a variable component of EUR 1.82 million (previous year: EUR 1.70 million). In fiscal 2011 obligations under the long-term assessment basis and undistributed variable remuneration components for the Board of Directors in the amount of EUR 0.08 million (prior year: EUR 0.08 million) were liquidated and charged to profit and loss. The allocation to the pension provision for Board of Directors members totalled EUR 0.16 million (previous year: EUR 0.15 million). A total of EUR 1.05 million (previous year: EUR

0.94 million) has been provided for pension obligations for former Board of Directors members and their next-of-kin. Above and beyond this amount, no additional remuneration was paid to former members of the Board of Directors and related persons (prior year: EUR 0.05 million).

Total remuneration for individual Board of Directors members is determined by the Supervisory Board in a plenary session, including any Group payments, based on a performance assessment. The individual Board of Directors member's tasks, his personal performance, the financial situation, the success and future prospects of the Company constitute the criteria for the appropriateness of remuneration; another criterion is customary remuneration in the comparator environment and the remuneration structure that applies elsewhere in the Interseroh Group.

Remuneration of the Supervisory Board

Provisions for the remuneration of the Supervisory Board were created in the amount of EUR 245,000.00 for 2011. Reference is made to the Notes for individually rendered services outside the scope of the Supervisory Committee, in particular consulting work.

Compensation of the Supervisory Board from January 1, 2011, to December 31, 2011, amounts to net EUR 245,000.00 and can be broken down for individual members as shown in the table below:

NAME	Function	Compensation in Euros (net)
Dr. Eric Schweitzer	Chairman of the Supervisory Board Committee member	45,000.00
Friedrich Carl Janssen	Deputy Chairman Committee member	45,000.00
Peter Zühlsdorff	Deputy Chairman Committee member	45,000.00
Dr. Werner Holzmayer	Member of the Supervisory Board Committee member	40,000.00
Joachim Edmund Hunold	Member of the Supervisory Board	30,000.00
Roland Junck	Member of the Supervisory Board Committee member	40,000.00
Total		**245,000.00**

4. Employees and Social Responsibility

Number of employees

The average size of the Interseroh Group’s workforce during the year was 1,959 (previous year: 1,774).

On average 1,336 people were employed in the steel and metals recycling segment in the fiscal year (previous year: 1,150), comprising 525 white-collar workers (previous year: 422) and 811 industrial workers (previous year: 728). The increase was mainly the result of changes in the scope of consolidation.

In the services segment the average number of employees was 505 (previous year: 418). The number of employees was 429 (previous year: 383) and the number of industrial workers 76 (previous year: 35).

An average of 158 people was employed in the raw materials trading segment until September 30, 2011, (previous year: 275), comprising 76 white-collar workers (previous year: 131) and 82 industrial workers (previous year: 144).

Recruiting young talent

Ensuring that succession is planned continues to be a high priority at Interseroh. Sustained and systematic recruitment, training and retention of young talent represent both key success factors and a simultaneous challenge. The Interseroh Group has been preparing for the pending scarcity of specialist staff for a number of years now. Two topics in particular play a role in a future-oriented assurance of succession: On the one hand Interseroh continues to pursue its objective of enhancing the Group's recognition and appeal. On the other hand existing succession programmes are continuously developed or new programmes started.

It is of great importance to the Interseroh Group that it awakens interest among the top brains, attracts them as employees and retains them in the Company. To this end Interseroh was represented at the most important school and university fairs in 2011 and has expanded and intensified its cooperation with schools in the region and target universities. The appeal of Interseroh as an employee for talented staff is measured in on-line assessment portals, by surveys and comparative studies.

Interseroh is contributing significantly to covering the need for specialist staff at its locations with a nuanced range of professional training. The Company offers the trainee a number of prospects in this regard. Especially high-performing pupils have the option of following a course of studies for their Bachelors’, which is supervised by the Company, after completing the training. The very best receive a scholarship and participate in additional training on the topic of project management. The trainee programmes of the Interseroh Group continued to be expanded in order to cover the demand for qualified commercial and technical management succession over the long term.

Interseroh trained numerous trainees and students from cooperative education universities in a variety of professions in 2011 as well. A number of university graduates were also recruited for the Interseroh Group via the trainee programmes. Recruitment of specialist and management staff became more professional in the year under review. Enhancing the qualifications of recruitment management and implementing uniform standards constituted a special focus.

Personnel development

The accumulation and nurture of competencies among staff are core themes in strategic company management. Training and continuing education are central matters in the Interseroh Group, since they provide key qualifications required to meet future competitive challenges successfully. The foreseeable need for qualification has, in addition to the traditional training measures, been the basis of a more in-depth range of options. The Company thus significantly expanded the range of continuing education measures for all groups of employees.

Interseroh conducts systematic potential assessments in all areas of the Group in order to identify and develop talent. The Interseroh Group continuously enlarged its range of continuing education in 2011. It spans topics such as leadership, cooperation and change management. Interseroh also offers specific development programmes for very promising employees, in addition to individual coaching and training. In 2011 the focus for strengthening competencies was on methodological skills and negotiation management.

An emphasis for 2011 in personnel development was on building systematic succession management throughout all segments. Sustained talent management is facilitated by the use of this programme.

Corporate Citizenship Activities

The social image of the Group, which is documented in INTERSEROH SE's mission statement, is linked to Interseroh's entrepreneurial activities. In accordance with the mission statement 'We actively assume ecological and social responsibility', corporate citizenship activities have also occupied a permanent position in various companies of the Interseroh Group and range from corporate giving (ethically motivated donations without self-interest) to corporate volunteering (charitable employee commitment).

Interseroh's services and products relieve an environmental burden and thus assure better living space for succeeding generations. This sustainability and future orientation is also reflected in Interseroh's volunteer projects. The focus of corporate citizenship activities is on commitment for children. Interseroh, for instance, has already been supporting KidS, the orphanages of the city of Cologne, for over eight years and is thus directly improving the living situation of children. Assistance to children in hospitals, to the *Arche* or to Peace Village in Oberhausen are also among regular activities.

5. Risk Management and Internal Control System

Risk Management System

Principles

INTERSEROH SE's subsidiaries, companies that operate internationally, are exposed to a number of risks. The goal of entrepreneurial activity is to minimise risks and exploit opportunities with a view to enhancing corporate value on a systematic and enduring basis.

The concept of risk includes events and developments inside and outside the Company that might have a negative impact on achieving business targets and plans within a specified period of time. Management and control of these risks are prerequisites for the Company's success, taking into account limitations on the willingness to take risks. Entrepreneurial risks are entered into only if they are controllable and the associated opportunities lead to the expectation of a commensurate increase in value. Effective risk management is a significant success factor in order to assure the Company's value over the long term.

Risk Management

INTERSEROH SE's Board of Directors has established a management and control system in the shape of a uniform risk management system for the early identification, assessment and management of relevant risks and opportunities. The Interseroh Group's risk management system is a traceable system that encompasses all corporate activities and includes systematic and ongoing procedures based on a defined risk strategy: identification, analysis, assessment, control, documentation and communication of risks, as well as monitoring these process elements. It is adapted to company-specific requirements and involves all operating units of the fully consolidated companies. Management in the steel and metals recycling and services segments is responsible for the efficient and effective implementation of risk management in their areas of responsibility.

The core aspects of a risk management system are rooted in the Company's strategic and operational plans, the internal reporting system, the internal control system and the compliance system. Strategic corporate planning should guarantee that long-term risks and opportunities can be identified and assessed early on, so as to be able to respond with appropriate structural measures. The internal reporting system is designed to assure that on all corporate levels, current and relevant information concerning the development of fundamental risks and the effectiveness of risk limitation measures is provided. The focus of the internal control system is on monitoring and controlling the risks. This implies that it functions as an integral component of the risk management system. The compliance system is tasked with supporting management and identifying and responding to risks related to compliance topics early on. The risk management system of the Interseroh Group has been integrated into the ALBA Group's risk management system since the registration of the control and profit transfer agreement between INTERSEROH SE and the ALBA Group plc & Co. KG.

Interseroh’s risk strategy calls for avoiding, hedging or insuring specific risks. These risks are operational, original risks resulting from day-to-day business, such as bad debt risks. The goal is not to avoid all risk, but to establish room to manoeuvre to enable conscious risk-taking based on comprehensive knowledge of the risks involved and the overall context of the risks.

The risk management system is regularly adapted to the Group’s organisational and operational structure, its markets and current developments, and continuously developed. As components of the risk management system, the definition, identification, evaluation and response to existing risks are routinely checked for completeness and effectiveness respectively.

In 2011 the risk management system continued to be developed on an integrated basis. Additional aspects were added to the quantitative and qualitative risk assessment system optimised in 2010, especially with regard to measures for hedging secondary resources, alternative hedging strategies and swap transactions. Additional optimisation measures for risk diversification were undertaken as part of hedging activities in the segment of non-ferrous metals. Training and risk workshops initiated in 2010 at the segment and company level were implemented according to plan and expanded further. Furthermore, additional risk-limiting processes were implemented, such as early offer risk assessment with a defined release process in project business.

A risk inventory in which new risks and opportunities are to be identified, analysed and evaluated by those responsible for the relevant area is undertaken every quarter. In addition, if significant risks are identified there is an obligation to report on them internally on an *ad hoc* basis. A review of the risk situation is undertaken during regular discussions on results by the Board of Directors and the central risk management function working together with those responsible for risk in the companies and/or divisions.

The Company’s risk management system continues to be developed with the support of the central risk management and compliance sections and is audited by internal audit on a regular basis. An external audit is undertaken by the external auditor in the course of the annual audit. Every six months the Audit Committee is informed of the Group’s risk situation.

The function and responsibility of the Group’s management and those with operational responsibility is the continuous development on managing financial risks in order to provide necessary and successful support to the entrepreneurial segments of the Interseroh Group with the goal of dealing with financial risks early on.

The responsibility for financing the Interseroh Group and its operating companies is, therefore, discharged centrally by the ALBA Group. Decentralised tasks may be undertaken only according to central specifications and in close coordination with the Treasury department.

It is the responsibility of central treasury management to identify, analyse, quantify and monitor financial risks (e.g. interest rates, exchange rates, share prices), as well as counterpart and country risks. Monitoring compliance with covenant criteria forms an additional risk management focus from the Treasure department's perspective as part of the transfer of the Interseroh loan agreement to the ALBA Group’s financing. Together with risk management, various scenarios and sensitivities (e.g. stress tests) are calculated as part of the analysis. Risks identified are to be managed within established limits and in compliance with defined strategies using approved instruments. The Board of Directors is informed on selected financial instruments of the subsidiaries on the individual company level on a regular basis or as needed.

The risk management system is an integral component of all operational units of the Group. It includes the following features:

- ensuring necessary liquidity at all times,
- influencing price change risks,
- timely hedging of exchange rate risks,
- annual updating of the organisational manual as a guideline for all units in the Group, covering aspects such as the risk areas of covering receivables, including political and economic national risks, exchange rates, insurance and
- standardisation throughout the Group of rules of procedure with defined approval requirements.

All derivative hedging transactions, used to counter risks of default and price change and liquidity risks, are geared strictly to needs arising from the operational underlying transactions (micro hedges). Financial resources may not be used for purposes of speculation. Only such financial instruments as have been approved previously are used. The prerequisite for such approval is that the Treasury department can record, evaluate and monitor these instruments and that the book-keeping aspects are clearly understood.

The change in the exchange rate of the euro against other currencies, especially the US dollar, results not only in overall risks of international business relations, but also in specific exchange rate risks. In principle Interseroh strives to keep these currency risks with the business partner by invoicing in euro. In cases in which this is not possible, any amount the counter-value of which is greater than EUR 0.025 million per business event must be hedged. Speculative transactions are not allowed. In 2011 risk management reviewed the hedging process in the trading area and made recommendations for action regarding, in particular, optimisation in the drawing up of contracts and the timing of hedges.

The risks of interest rate changes are countered by suitable instruments from the derivatives market (e.g. exchange of fixed for variable interest rates in the forward exchange market). Due to the currently low money market interest rates, variable interest rates are accepted for short-term current account lines.

In order to avoid price change risks in transactions, trades are generally effected back-to-back, i.e. without risk, by means of sales and purchases that are equivalent in volume within a narrow time frame. Limiting room to manoeuvre provides a further level of security in risk limitation.

In general trade credit insurance policies with customary deductibles are taken out for all debtors. In addition, alternative hedging instruments, such as letters of credit or other documents guaranteeing payment, are utilised. There is an instruction in the Group that transactions may not exceed the insured limit per debtor. Exceptions to this rule are allowed only in justified individual cases and only after prior approval by management or the Board of Directors based on reliable knowledge concerning the debtor’s creditworthiness. A central project to correct and update master data is underway, one in which improved knowledge on assessing debtor creditworthiness is being generated. Compliance with the trade credit limits is monitored at regular intervals. One can, nevertheless, not rule out that receivables may not be paid on time or at all and that these outstanding items may ultimately result in default.

In the domain of other financial receivables similar conditions apply regarding the assumption of potential credit risks. In these cases, too, commitments are entered into only in isolated cases and only after prior approval by management or the Board of Directors based on previous checks on credit standing or earning power.

Finally, it should be pointed out that even an appropriate and fully functioning risk management system cannot guarantee absolute certainty regarding completeness in identifying and managing risks.

The Internal Control System in relation to Group Accounting

INTERSEROH SE’s Board of Directors views the internal control system, based on the accounting process, and all such structures, measures and control processes, as a system aimed at ensuring reliable financial reporting with adequate assurance and in accordance with statutory regulations and International Financial Reporting Standards (IFRS).

Key characteristics of the Company's internal control system with regard to accounting include Group-wide uniform accounting guidelines and processes, IT security guidelines and regulations, and organisational principles and flows. Control mechanisms are subject to ongoing optimisation. In addition, a variety of control principles, such as segregation of duties and consistent adherence to the principle of dual control, are incorporated in the accounting process with respect to certain risks.

Regardless of the scope and orientation of the control structures and processes that have been instituted, there are limits to the internal control system, since it must be adapted to changing demands and framework conditions on an ongoing basis. At least once a year, for instance, a revision of the organisational guidelines takes place as part of this adaptation process.

In order to detect and eliminate possible weaknesses in the internal control system, the appropriateness and effectiveness of the internal control system is systematically reviewed and assessed by the Group's Internal Audit function. INTERSEROH SE's Board of Directors and Audit Committee are informed of the findings of such audits on a regular basis.

Consolidated financial statements are prepared using standard consolidation software. The major portion of ledger accounts information of the companies included is imported into the consolidation software from the relevant book-keeping system via an interface after the cut-off date. The completeness and accuracy of the data, as well as the reconciliation of internal Group balances, are the responsibility of management and are confirmed in a separate statement. Individual financial statement data undergoes automatic and manual plausibility processes.

As part of the consolidation work, consolidation software displays the current status of each type of consolidation (capital, income and expense, liabilities, etc.) separately for each company via a management reporting system. As a rule continuation of consolidation work is only possible, if the system has not detected any errors in the previous step. Once the consolidation work has been completed, a variety of plausibility tests are performed with the consolidated figures generated. The final figures are compared to the figures from internal reporting in the holding control unit. Finally, the figures are analysed and commented on. In order to prepare the Group management report, the required information is sought in writing from the individuals responsible, such as segment directors, subsidiary directors and business unit managers, summarised and presented to those individuals for review. Then the Group management report is presented to the Board of Directors. The companies enter the required information into the consolidation software in order to produce the Notes to the Consolidated Financial Statements. All consolidated financial statements are presented to the Board of Directors and released by the latter after review.

6. Disclosures in accordance with Section 315, paragraph 4, of the German Commercial Code

The subscribed capital of INTERSEROH SE of EUR 25,584,000.00 is divided into 9,840,000 individual share certificates of no par value with an arithmetic nominal value of EUR 2.60 each. The Company’s shares are bearer shares. Every share grants one vote in the General Shareholders’ Meeting. The Board of Directors is not aware of restrictions pertaining to voting rights or the assignment of shares. On December 31, 2011, a total of 85.324 percent of shares and thereby voting rights from 8,395,849 shares were attributable to Dr. Axel Schweitzer, Berlin, and Dr. Eric Schweitzer, Berlin; according to Section 22, paragraph 1, clause 1, no. 1 of the Securities Trading Act; they are held directly by ALBA Group plc & Co. KG. On March 28, 2011, a control and profit transfer agreement was entered into between ALBA Group plc & Co. KG, as controlling company, and INTERSEROH SE, as controlled company, which was approved by a large majority in the General Shareholders’ Meeting of May 17, 2011. It was recorded in the commercial register on May 26, 2011. No shares with special rights that confer supervisory powers exist. Employees who hold shares in the company exercise their rights of verification through the voting rights embodied in their shares.

According to statutory provisions, the appointment and dismissal of members of the Board of Directors is incumbent upon the Supervisory Board. Amendments to the by-laws are resolved by the General Shareholders’ Meeting. General Shareholders’ Meetings’ resolutions are taken by simple majority of the votes submitted, unless the by-laws or mandatory legal provisions require a larger majority of votes. Amendments to the by-laws require, provided not countermanded by law, a majority of two thirds of votes submitted or, in the event that at least half of capital stock is represented, a simple majority of votes submitted. The Supervisory Board is authorised to adopt amendments to the by-laws that are of an editorial nature only.

The General Shareholders’ Meeting authorised the Board of Directors on June 29, 2010, effective June 30, 2010, to acquire treasury stock during a period of five years, i.e. until June 29, 2015, to a maximum amount of EUR 2,558,400.00 of capital stock attributable to these shares and to rescind the authorisations that had existed hitherto in this respect. Moreover, the Board of Directors was

authorised, with the consent of the Supervisory Board and excluding shareholders' subscription rights, to sell the treasury stock acquired to third parties against contributions in kind, in particular in connection with corporate mergers and the acquisition of companies, parts of companies and/or holdings in companies. In addition the Board of Directors was authorised, with the consent of the Supervisory Board and excluding shareholders' subscription rights, to sell the shares for cash by means other than via the stock exchange or an offering to shareholders. In the event of an exclusion of subscription rights the shares must be sold at a price (not including incidental selling costs) that is not significantly, and in no event more than 5 percent, lower than the price quoted on the stock exchange for the Company's shares, with the same terms at the time of the sale. The share price applicable in this case is the average of the closing prices of the five trading days immediately preceding the sale of treasury stock determined in trading on the floor or via Xetra (or a functionally comparable successor system to the Xetra system) at the Frankfurt stock exchange. In the event of a sale of shares against contributions in kind excluding shareholders' subscription rights the value of the contribution in kind must be reasonable, based on an overall assessment pursuant to section 255, paragraph 2, of the German Companies Act. In the event that shares are sold for cash in a manner other than via the stock exchange or an offering to shareholders, the authorisation to exclude subscription rights applies only to the extent that the treasury shares sold with the exclusion of subscription rights may not exceed 10 percent of capital stock and in fact neither 10 percent of the capital stock existing at the time the authorisation is granted nor 10 percent of the capital stock existing at the time that the authorisation to exclude subscription rights is utilised. The maximum amount of 10 percent of capital stock is reduced by the proportional share of capital stock attributable to those shares issued or sold during the term of this authorisation with the exclusion of subscription rights in accordance Section 186, paragraph 3, clause 4, of the Securities Trading Act.
The upper limit of 10 percent of capital stock, moreover, is reduced by the proportional share of capital stock that relates to those shares that are issued to service bonds with option or conversion rights and/or duties, provided that such bonds are issued during the term of the authorisation with the exclusion of subscription rights under (appropriate) application of section 186, paragraph 3, clause 4 of the German Companies Act. The Board of Directors of INTERSEROH SE made no use of these authorisations during the year under review.

No agreement exists with INTERSEROH SE subject to the condition that a change in control would be brought about as the result of a takeover bid. Likewise, no compensation agreements with the members of the Board of Directors or workforce exist in INTERSEROH SE in the event of a takeover bid.

7. Research and Development

Due to the fields of activity it is involved in, the Interseroh Group places a great deal of importance on market research and market analysis. Interseroh does not regularly engage in research and development in the customary sense. Interseroh has developed a new generation of plastic products in cooperation with companies in the plastics industry that consist fully of post-consumer material from the Dual System and fulfil the requirements pertaining to new goods.

8. Environment and sustainability

In February of 2011, together with the Ministry of the Environment, Interseroh and ALBA presented the results of a study commissioned with the Fraunhofer Institute UMSICHT, Oberhausen, regarding reductions in carbon emissions generated by the business activities of both groups of companies. The carbon emissions arising from a variety of material groups due to the collection, transport, treatment and recycling of the secondary resources collected by Interseroh and the reductions compared to carbon emissions from corresponding primary processes were elaborated. In 2009 carbon emissions in Germany were reduced by over six million tons due to the business activities of Interseroh and ALBA.

INTERSEROH Dienstleistungs GmbH, its subsidiaries, Repasack Gesellschaft zur Verwertung gebrauchter Papiersäcke mbH, INTERSEROH Pfand-System GmbH, INTERSEROH Pool-System GmbH, Cologne, INTERSEROH Product Cycle GmbH, and its affiliate INTERSEROH Management GmbH, Cologne, expanded their quality management system into an integrated management system. At the end of June 2011, the companies had their environmental management system certified according to ISO 14001 and their occupational health and safety management system according to OHSAS 18001. The sorting and treatment operations of INTERSEROH Product Cycle GmbH were certified, as were the administrative units.

E. Anticipated Developments

1. Report on risks and opportunities

Risks

The key risks resulting from an analysis of the risk management system of the Interseroh Group, as well as the opportunities in the business divisions as determined in the segments, are presented below.

Relationships with customers and suppliers

The general trade credit insurance system continues to be optimised in order to avoid losses in earnings and bad debts. This has allowed Interseroh's risk regarding its financial position and result of operations to be limited further. In that Interseroh operates outside the euro zone, in terms of its customer and supplier relationships, the Group is exposed to factors such as foreign exchange control regulations or trade restrictions, as well as, in some isolated cases, insufficiently developed and/or nuanced legal and administration systems and violent confrontations or terrorism.

Finances

Due to the fact that the Interseroh syndicated loan agreement was rolled into the ALBA Group syndicated loan agreements, the same covenant criteria apply for the Interseroh Group as those associated with the syndicated loan at the ALBA Group level. If one or more covenant criteria are not complied with, there would also be consequences for Interseroh related to covenants associated with this agreement.

Environmental protection

Interseroh will also increase its efforts to counteract environmental risks. Preventive measures, such as quality and safety specifications, are complemented by wide-ranging insurance protection. Adherence to the highest environmental and safety standards, that in some cases go above and beyond statutory requirements, is assured by ongoing checks during the production process, materials analyses and other measures.

Since legal regulations for environmental protection are subject to continuous change, are becoming increasingly strict and are liable to become more stringent due to new EU directives, investment in the Interseroh Group may become necessary in the future; the amount and timing of such investment, however, are difficult to predict.

Against the backdrop of continuing public discussion on elevated emissions (e.g. from PCB or nickel) from German scrap yards, the risk exists that the authorities may impose stricter requirements on companies, which could result in higher costs.

Employees

Systematic succession management and quality improvements in the recruitment system have resulted in a significant reduction of personnel risk. Nevertheless, the risk that employees in certain divisions or functions may leave the Company and that such departures may not be compensated in timely fashion or without an impact on the course of business cannot be ruled out.

Interseroh’s business is conducted via subsidiaries, the directors of which have wide-ranging decision-making authority in order to be able to act autonomously and in close association with the market. The group structure ensures that the strategic business units can be managed as if by "company entrepreneurs". These managing employees have an obligation to manage responsibly. Nevertheless, given the high degree of entrepreneurial responsibility, and despite extensive and multi-layered review and control mechanisms, the risk of abuse cannot be fully excluded.

IT systems

Since Interseroh’s business operations in particular (e.g. distribution, logistics, accounting and financial control) are primarily computer-based, the maintenance of flawless business operations is contingent upon the efficient and uninterrupted functioning of its data processing systems. Significant impairment can result from flawed or excessively lengthy operation of obsolete systems, as well as from the implementation of new systems.

In order to ensure transparent and traceable access protection in the key IT systems, such as SAP, a centrally administered user and role concept with a corresponding approval workflow has been implemented. The effectiveness of access protection is being monitored by random sampling.

Effective testing of IT systems as regards protection from internal and external attacks (hackers) is performed at regular intervals. Potential areas of weakness in the protection measures are detected by means of simulated, unannounced attacks and then eliminated by means of appropriate measures. An independent assessment of security measures implemented was undertaken to this end in September of 2011.

Insurance policies

The Interseroh Group actively manages insurance covering key risks. This includes insurance for property and for business interruption, for public liability and for transport, as well as centralised insurance covering losses of goods and buildings. Nevertheless, customary deductibles or *force majeure* may have an adverse effect on the Company's net assets, financial position and results of operations. Interseroh was able to continue to optimise insurance management as part of the ALBA Group and benefit from cost advantages.

Compliance

Violations in compliance may lead to penalties, sanctions, damage compensation payments, reduction in profits, exclusion from certain businesses and the loss of licences and concessions or other sanctions of a sensitive nature. Such violations damage the Group's reputation and can also have adverse effects on the awarding of orders by customers in both the public and private sector. There may be a negative impact on the capability of finding new business partners, as well.

In order to mitigate such risks, compliance training sessions which were initiated in 2010 on the subject of anti-corruption and anti-trust law were continued; they focussed primarily on early reduction of risk and elimination of causes by means of classroom or on-line training.

Furthermore, internal rules and regulations in the Interseroh Group are reviewed and enforced by means of reviews of the existing organisational guidelines, as well as random sampling, checks and best-practice recommendations.

Legal risks are regularly monitored by the central legal department on the Group level and by the directors responsible on the company level; they are accounted for adequately as part of the measurement of provisions.

Segments

Steel and Metals Recycling

The steel and metals recycling segment depends to a significant extent on economic developments in national and international markets for steel and non-ferrous metals. Due to high cost prices for secondary resources in the steel and metals recycling segment, risks arise in the areas of working capital, warehousing and liquidity. In the event of steep price declines in the buyer markets of relevance to Interseroh, there is a risk of inventory depreciation. One way this risk is countered is by adapting inventory levels to market demand. In the case of some non-ferrous scrap metals a specific market price level is ensured by hedging trading positions on appropriate stock exchanges (e.g. the London Metal Exchange), in the event that a significant risk for the planned margin may arise from the relevant underlying transaction.

A change in exchange rates (especially the euro to the dollar) can have an impact on the operational business (e.g. reduction in demand, deterioration in competitive position), as well as the net assets, financial position and results of operations. This is dealt with by means of derivatives (e.g. currency swaps and forward exchange contracts) or switching into other markets.

Risks that may arise from defaults on receivables are to be mitigated in future as well. Such risks can consist of an insufficiency or absence of coverage of outstanding receivables from trade credit insurance. Imposition of strict upper limits on outstanding receivables and minimum levels of prepayments resulted in a considerable reduction in recoverability risk in the year under review. A risk-oriented offer review in project business has been added to the measures implemented in 2011, such as the optimisation of regular reporting and the introduction of standardised customer risk assessments for major customers. The review entails a standardised risk assessment, which is to be approved in accordance with defined limits, prior to submitting an offer.

In order to be able to counteract liquidity and inventory depreciation risks promptly the segment management and the responsible division director receive a monthly working-capital report, so as to be able to implement measures to minimise risk.

Services

The services segment is dependent to a great extent on regulatory requirements. Consequently, changes in these regulatory requirements offer opportunities, but also harbour considerable risks. Interseroh continues to accelerate its expansion into further systems services not regulated by legislators.

Declining licence volumes and the enforcement of the Packaging Ordinance in the entire dual system market were also a significant risk for fiscal 2011. It remains to be seen whether measures resolved and implemented in 2011 will kick in.

In some selected business fields the loss of key customers could present a potential risk.

In order to identify trends and developments in individual markets with certainty, Interseroh conducts comprehensive market, customer and competitor analyses and uses its findings to develop and market products and projects.

Opportunities

Due to the international orientation of the steel and metals recycling market, the opportunity exists for Interseroh to exploit arbitrage effects between the local and international markets.
The Board of Directors perceives additional opportunities in the continued networking of individual segment locations, as well as the advancing integration of Interseroh and ALBA, due to enhanced synergy effects.

The optimisation of process flows in treatment and trading of scrap, as well as consistent further development of activities in the area of non-ferrous metals and alloyed scrap offer additional opportunities.

There are opportunities in the business segment of Dual System Interseroh (DSI) of INTERSEROH Dienstleistungs GmbH in the event of a rise in licence volumes by actively reclaiming market share and by clearing out the customer portfolio from a commercial perspective.

Interseroh's management views opportunities for growth in the services segment, especially in the combination of approaches to solutions as systems service provider in the recycling, logistics and production-ready secondary resources categories. Since 2010 customers have been provided with a new sales range in which Interseroh presents a holistic, individually conceptualised range of services.

INTERSEROH SE’s Board of Directors and the directors in the subsidiaries continually strive to enhance internal synergy potential, as well as to optimise cost structures and IT systems with a view to standardised and networked process management.

The TÜV STAR certification undertaken in INTERSEROH Dienstleistungs GmbH in fiscal 2010 was successfully updated in 2011 and the results were outstanding. Certification helps to generally minimise risk by evaluating business activities and also results in a strengthening of position in the premium segment of dual systems.

2. Outlook

a) General Economic Development

The European government debt crisis and fears on the part of market participants that it could spread depress the economic prospects of the current fiscal year.

Economic experts anticipate a decline in overall economic production in the euro zone as a whole. Forecasts regarding economic performance in Germany are contradictory. Pessimistic forecasts assume a slight decline for Germany as well, while optimistic economic predictions expect growth of up to 1.4 percent.

According to leading economists, in 2012 the previous growth engines of the global economy, such as China, India and Brazil, will grow only by a moderate 5.5 percent compared to the previous years.

Estimates of the short to medium-term development of the INTERSEROH Group are based on current expectations and assumptions regarding the effects of future events and economic conditions on the operational companies.

b) Development in the segments

On the assumption that the economic deterioration in the fourth quarter of 2011 will continue until the middle of the current fiscal year and only a sluggish economic recovery is anticipated for the third and fourth quarter of 2012, prices in the steel and metals recycling segment expected to be lower compared to the previous year. In addition Interseroh is anticipating that the intensive competitive situation will persist.
In order to continue to expand its leading position, Interseroh is counting on further growth in its export business, especially to Asia, and the development of new procurement and sales markets in Europe. Furthermore, trading activities for alloyed scrap and in the non-ferrous metals area are to be expanded. Progressive networking of locations is of core importance here, in order to enhance the segment’s profitability by means of improved marketing structures.

Due to the expected lower price levels, as well as margin pressure in 2012, Interseroh is anticipating sales and earnings before taxes at the same level as last year, despite a forecast of increase in volumes for the steel and metals recycling segment. While sales growth in single digits is anticipated for 2013, management is expecting double-digit growth in pre-tax earnings.

Opportunities and potential arise from the comprehensive use of know-how available in the segment for the purpose of continued optimisation of process flows in treating and trading scrap. In the past few years, Interseroh has intensified its international scrap iron marketing, by, among other things, building a deep sea terminal in Dordrecht and establishing a department for the container business with a focus on Asia. Consistent development of the areas of non-ferrous metals and alloyed scrap are the focus of activities in 2012.

Risks exist in relation to lower than expected quantity growth, especially in the markets Turkey and China, due, for instance, to political disturbances in the region, regulatory measures or restrictive monetary policy. The possible intensification of the euro crisis represents a special risk, which would be expressed by a decline in industrial production *inter alia.* Furthermore, devaluation of the US dollar could have a negative impact on the competitive position of European secondary resource suppliers. It is assumed for planning purposes that these risks will not have a significant impact on the further development of the segment.

Interseroh is expecting that the portfolio of contracts will be cleared of customer contracts with weak profits in 2012, with declining sales, in the services segment. As the result of a high degree of competition Interseroh anticipates that margins will still be under pressure and earnings before taxes, while in double digit percentage, will be lower. Due to the increased number of offers in the area of reusable transport boxes, as well as the business unit, recycled resource, Interseroh anticipates sales and pre-tax earnings increases in the single-digit percentage range for 2013.

c) Development of the Group

The Board of Directors expects a sales drop of approximately 5 percent for fiscal 2012 for continuing business segments. Earnings before taxes are likely to be down 15 percent compared to the previous year. In 2013 an increase in sales in the single digits and of pre-tax earnings in the double digits is anticipated.

Integrating financing into ALBA Group plc & Co. KG assures that the Interseroh Group will continue to have the required cash resources.

Cologne, March 2, 2012
INTERSEROH SE
The Board of Directors

Dr. Axel Schweitzer   Joachim Wagner

Consolidated Balance Sheet
as at December 31, 2011

ASSETS	Note No.	31.12.2011 EUR	31.12.2010 EUR
Non-current assets			
Intangible assets	(18)	**121,189,087.71**	**128,780,828.63**
Property, plant and equipment	(19)	**86,413,683.80**	**91,308,982.94**
Financial assets accounted for under the at-equity method	(20)	**7,741,601.29**	**10,804,024.95**
Financial assets	(21)	**1,728,113.37**	**7,615,815.14**
Other receivables	(25)	**1,133,722.99**	**1,075,420.18**
Deferred tax assets	(22)	**6,252,238.90**	**9,993,366.97**
		224,458,448.06	**249,578,438.81**
Current assets			
Inventories	(23)	**127,575,787.43**	**107,574,538.17**
Trade receivables	(24)	**172,304,765.27**	**197,828,934.18**
Financial assets	(21)	**24,679,114.09**	**6,760,997.53**
Other receivables	(25)	**28,822,068.48**	**28,722,964.67**
Income tax refund claims	(22)	**2,355,136.63**	**1,209,885.30**
Cash and cash equivalents	(26)	**74,882,830.26**	**64,871,846.07**
		430,619,702.16	**406,969,165.92**
		655,078,150.22	**656,547,604.73**

LIABILITIES	Note No.	31.12.2011 EUR	31.12.2011 EUR	31.12.2010 EUR	31.12.2010 EUR
Shareholders' equity					
Subscribed capital and reserves attributable to the parent company					
Subscribed capital	(27)	25,584,000.00		25,584,000.00	
Reserves	(28)	153,360,146.04	178,944,146.04	158,698,523.83	184,282,523.83
Minority interests in equity			6,100,612.35		11,984,359.01
			185,044,758.39		196,266,882.84
Liabilities					
Non-current liabilities					
Payments to employees under pension commitments	(29)	19,410,156.61		19,358,523.43	
Other non-current provisions	(30)	5,588,814.36		5,268,708.66	
Deferred tax liabilities	(22)	6,083,527.57		7,350,644.41	
Financial liabilities	(31)	71,319,610.32		94,741,386.28	
Trade liabilities	(32)	366,806.02		92,749.73	
Other liabilities	(33)	0.00	102,768,914.88	217,731.05	127,029,743.56
Current liabilities					
Provisions	(30)	11,703,541.08		8,831,792.09	
Income tax liabilities	(22)	7,291,722.48		5,312,260.47	
Financial liabilities	(31)	67,474,424.12		55,089,776.00	
Trade liabilities	(32)	209,289,281.14		215,962,571.44	
Other liabilities	(33)	71,505,508.13	367,264,476.95	48,054,578.33	333,250,978.33
			470,033,391.83		460,280,721.89
			655,078,150.22		656,547,604.73

Consolidated Income Statement

for the period from January 1 to December 31, 2011

	Note No.	2011 EUR	2010[1] EUR
1. Sales revenues	(7)	2,210,668,802.35	1,832,178,930.26
2. Reduction / Increase in inventory of finished and work in progress	(8)	5,825,118.60	-15,498,100.45
3. Other operating income	(9)	60,898,376.55	49,717,036.92
4. Cost of materials	(10)	1,877,442,157.86	1,502,064,321.69
5. Personnel costs	(11)	100,876,527.92	85,248,317.70
6. Depreciation on intangible assets and on property, plant and equipment	(12)	17,728,809.80	17,802,901.56
7. Other operating expense	(13)	225,454,323.58	203,197,485.23
8. Profit shares in associated companies, accounted for under the “at-equity” method	(14)	102,006.85	84,931.01
9. Financial income	(14)	3,838,087.44	2,920,955.58
10. Financial expenses	(14)	19,387,765.21	19,072,947.47
11. Earnings before taxes		40,442,807.42	42,017,779.67
12. Income tax expense	(15)	6,736,714.96	12,143,243.18
13. Earnings after taxes from discontinued business		33,706,092.46	29,874,536.49
14. Earnings after taxes from discontinued business	(5c)	3,445,998.70	4,196,055.01
15. Income after taxes		37,152,091.16	34,070,591.50
16. Shares in income to be attributed to minority interests	(16)	1,868,346.33	2,228,499.58
Of which from continuing business		1,713,962.86	2,023,395.80
Of which from discontinued business		154,383.47	205,103.78
17. Shares in income attributable to shareholders		35,283,744.83	31,842,091.92
Of which from continuing business		31,992,129.60	27,851,140.69
Of which from discontinued business		3,291,615.23	3,990,951.23
18. Earnings per Share	(17)		
from continuing business		3.25	2.83
from discontinued business		0.33	0.41
from continuing and discontinued business		3.59	3.24

[1] The previous year´s figures were adjusted based on the application of IFRS 5

Exhibit of Income and Expense Recorded in Group Equity

(Overall Group Result)

for the period from January 1 to December 31, 2010

	Note No.	2011 EUR Million	2010 EUR Million
Changes in the fair value of derivatives used for hedging purposes (including deferred taxes)	(28, 37)	-1.61	0.73
Changes in adjustment items from currency conversion recorded in equity	(3b, 28)	-2.38	0.63
Difference from consolidation measures		0.00	3.08
Results not recognised in income		**-3.99**	**4.44**
of which attributable to minority interests		-0.56	-0.05
of which attributable to interests at equity		-0.27	0.14
Group result		**37.15**	**34.07**
of which attributable to minority interests	(16)	1.87	2.23
Overall Group result		**33.16**	**38.51**
of which attributable to minority interests		1.31	2.18
of which attributable to INTERSEROH SE shareholders		31.85	36.33

Consolidated Statement of Changes in Equity

in the period from January 1, until December 31, 2011

	Note no.	Parent company				
					Cumulative other consolidated earnings	
		Subscribed capital	Capital reserve	Earned consolidated equity	Adjustment item from foreign currency conversion	Other non-cash transactions
		EUR million	EUR million	EUR million	EUR million	EUR million
Balances as at January 1, 2010		25.58	38.61	104.98	-0.92	-19.21
Dividends paid	(27)			-1.08		
Changes in the scope of consolidation						
Consolidated earnings	(16), (17)			31.84		
Amounts directly recorded in equity	(28)			0.93	0.48	3.08
Total consolidated earnings						
Balance as at December 31, 2010		**25.58**	**38.61**	**136.67**	**-0.44**	**-16.13**
Balance as at January 1, 2011		25.58	38.61	136.67	-0.44	-16.13
Dividends paid	(27)			-2.46		
Changes in the scope of consolidation				-0.10		
Capital transaction with changes in the share of holdings	(28)			-4.53		
Consolidated earnings				35.28		
Amounts directly recorded in equity					-1.82	-1.61
Total consolidated earnings						
Profit transfer to ALBA Group plc & Co. KG				-30.11		
Balance as at December 31, 2011		**25.58**	**38.61**	**134.75**	**-2.26**	**-17.74**

		Parent company	Minority shareholders	Consolidated equity
		Equity	Minority capital	
		EUR million	EUR million	EUR million
Balances as at January 1, 2010		149.04	9.77	158.81
Dividends paid	(27)	-1.08		-1.08
Changes in the scope of consolidation			0.03	0.03
Consolidated earnings	(16), (17)	31.84	2.23	34.07
Amounts directly recorded in equity	(28)	4.49	-0.05	4.44
Total consolidated earnings		36.33	2.18	38.51
Balance as at December 31, 2010		**184.29**	**11.98**	**196.27**
Balance as at January 1, 2011		184.29	11.98	196.27
Dividends paid	(27)	-2.46	-0.06	-2.52
Changes in the scope of consolidation		-0.10	-0.85	-0.95
Capital transaction with changes in the share of holdings	(28)	-4.53	-6.28	-10.81
Consolidated earnings		35.28	1.87	37.15
Amounts directly recorded in equity		-3.43	-0.56	-3.99
Total consolidated earnings		31.85	1.31	33.16
Profit transfer to ALBA Group plc & Co. KG		-30.11		-30.11
Balance as at December 31, 2011		**178.94**	**6.10**	**185.04**

Consolidated Cash Flow Statement

from January 1 to December 31, 2011

	2011 EUR million	2010 EUR million
Consolidated income	37.15	34.07
Income tax expense	4.79	11.61
Finance income	15.92	16.98
Shares in gain/loss of associated companies accounted for under the at-equity method	-0.10	-0.08
Group EBIT including raw materials trading	57.76	62.58
Amortisation/depreciation on intangible assets and property, plant and equipment	19.20	24.20
Gains from asset disposals	-1.65	-2.07
Changes in pension and other provisions	2.74	-5.73
Changes in net operating assets	-31.03	-29.32
Interest payments	-7.04	-14.62
Income tax payments	-4.19	-9.19
Cash flow from operating activity	35.79	25.85
Asset disposals	-7.24	-4.24
Corporate acquisitions	5.38	2.96
Corporate divestments	15.18	26.07
Cash paid out from the sale of shares	-6.39	-6.70
Payments received from the sale of assets	3.80	8.91
Investments in property, plant and equipment (not including finance leases)	-13.27	-10.58
Other investment	-0.18	-1.33
Cash flow from investment activity	-2.72	15.09
Assumption of financial debt	3.24	129.28
Repayment of financial debt	-13.48	-190.51
Repayment of financial lease liabilities	-2.30	-2.80
Dividends to shareholders of the parent company	-8.06	0.00
Dividend payments to minority shareholders	-2.46	-1.08
Cash flow from financing activity	-23.06	-65.11
Changes in cash and cash equivalents	10.01	-24.17
Cash and cash equivalents at the beginning of the period	64.87	89.04
Cash and cash equivalents at the end of the period	74.88	64.87

INTERSEROH SE, Cologne

Consolidated Notes to the Financial Statements for Fiscal 2011

1. General Notes

INTERSEROH SE has its head office in Cologne. The business address is: Stollwerckstrasse 9a, 51149 Cologne. The consolidated financial statements for 2011 cover the Company, its subsidiaries and the holdings in associated companies (jointly referred to as the “Interseroh Group”).

The Interseroh Group is one of the leading environmental services and raw materials providers in Europe. As a service provider, Interseroh organises recycling processes and, as a supplier to the processing industry, Interseroh delivers secondary resources. The business activities of the Interseroh Group were divided into three segments until September 30, 2011 – steel and metals recycling, services and raw materials trading. The raw materials trading segment was sold effective October 1, 2011.

The companies included in the consolidated financial statements can be found in the listing of shareholdings (refer to Note 6). The listing also includes subsidiaries and associated companies not included due to their minor significance.

2. Accounting principles

(a) Underlying accounting regulations

As a company listed on the stock exchange, INTERSEROH SE, Cologne (hereinafter called “INTERSEROH SE” or “parent company”) must, according to Article 4 of Regulation (EC) No. 1606/2002 of the European Parliament and Council dated July 19, 2002 regarding the application of international accounting standards (Official Journal of the European Communities No. L 243, p. 1), prepare its consolidated financial statements starting from fiscal 2005 according to the International Financial Reporting Standards (IFRS) adopted by the European Union (EU); the IFRS consolidated opening balance was prepared on January 1, 2004 (date of the changeover to IFRS according to IFRS 1, First-time Application of International Financial Reporting Standards).

The consolidated financial statements have been prepared pursuant to Section 315a of the German Commercial Code (HGB) under the regulations of the accounting rules valid on the balance sheet date in accordance with the International Financial Reporting Standards (IFRS) and the interpretations of the International Accounting Standards Board (IASB) in London and are in agreement with the European Directives on consolidated accounts (Directive 83/349/EEC).

The differences from the carrying values of the assets and liabilities in the HGB consolidated balance sheet as of 31 December, 2003, resulting at the time of the changeover to IFRS were recorded in equity without impacting net income.

The Consolidated Notes also contain the information required according to the German Commercial Code (HGB).

Refer to Note 43 regarding any events of importance to the assessment of the financial, earnings and liquidity position and the payment flows of INTERSEROH AG that occurred prior to March 2, 2012 (date of release of the consolidated financial statements by the Board of Directors for handover to the Supervisory Board).

(b) Valuation of assets and debts

The consolidated financial statements are prepared on the basis of historical acquisition and production costs, except in the case of derivatives and such financial instruments that are classified as “available for sale”. Both of these categories of instruments are measured at fair value.

(c) Functional and presentation currency

The consolidated financial statements are prepared in euro, the Company's functional currency. Amounts are – with the exception of the consolidated balance sheet and consolidated income statement – shown in millions of euro rounded to two decimal places. Rounding differences occur in isolated cases.

(d) Use of management assumptions and estimates

Assumptions and estimates have been made in preparing the consolidated financial statements, which impact the reporting and amount of assets, liabilities, income, expenses and contingent liabilities. Actual values may differ from the assumptions and estimates made.

All assumptions and estimates used are checked on an ongoing basis. Each balance sheet date evidences better knowledge as reflected in the valuation methods applied. Adjustments are made and taken to profit and loss at this point in time. The effects of future changes can generally not be reliably estimated and stated.

You can find more information on significant estimating uncertainties and the methods used to counteract them in:

1. Note 3 (d), (e): standard determination of terms of useful life throughout the Group
2. Note 3 (f): criteria for assessing lease agreements as financial leases subject to reporting pursuant to IFRS
3. Note 3 (g): valuation of inventories
4. Note 3 (h): parameters for performing the impairment tests, including the definition of cash generating units (CGU)
5. Note 3 (n), 22: realisable nature of future tax relief

6. Notes 21, 24, 25: estimate of recoverability of doubtful accounts or calculation of bad debt allowances required
7. Note 29: parameters for calculating payments to employees under pension commitments
8. Note 30: valuation of provisions
9. Note 32: determination of liabilities under repayment obligations relating to industry agreements and for subsequent waste disposal obligations

3. Accounting methods

The annual financial statements of the fully consolidated companies have generally been prepared in accordance with standardised accounting and valuation methods. The accounting methods and valuation rules applied by the parent company are also observed by its subsidiaries. There have been no changes to date in accounting and valuation methods.

No changes to the accounting and valuation methods for the year under review or earlier periods resulting from first-time application of, or changes to, a standard or interpretation (IFRS/IAS) had to be made in fiscal 2011.

Under the control and profit transfer agreement with ALBA Group plc & Co. KG (ALBA KG), Berlin, INTERSEROH SE transfers all its profits to the controlling company pursuant to commercial law. In the consolidated financial statements the profit transfer is not reported as expense in the profit and loss statement as in the INTERSEROH SE individual financial statements under commercial law, but as appropriation of profits (refer to consolidated statement of changes in equity).

Due to the sale of the raw materials trading segment as at October 1, 2011, the related earnings after taxes are summarised in the profit and loss statement and reported as earnings after taxes from discontinued operations. Comparative figures for the previous year were adjusted accordingly.

In order to enhance clarity individual items are summarised both in the profit and loss statement and the balance sheet, which are explained in the Notes. Current assets and liabilities are assets and liabilities that are realised or eliminated, respectively, within a year; all other assets and liabilities are classified as non-current.

(a) Consolidation principles

The consolidation period is the calendar year. All companies included in the consolidated financial statements close their fiscal year on 31 December.

Consolidation of capital is undertaken pursuant to IAS 27 (Consolidated and Separate Financial Statements), in conjunction with IFRS 3 (Business Combinations), using the acquisition method, where the acquisition costs of the holdings are netted out against the consolidated subsidiary's share of group equity taking the fair values of the assets and liabilities and contingent liabilities at the time of acquisition into consideration. Any excess is shown as goodwill. Goodwill is not subject to scheduled amortisation in accordance with IFRS 3. Instead, the value of goodwill is reviewed by way of an impairment test at least once a year or when deemed necessary. The other hidden reserves and hidden liabilities uncovered are updated in the course of subsequent consolidations according to the corresponding assets and liabilities.

Holdings in which INTERSEROH SE exercises a significant influence – usually based on an interest of between 20 and 50 percent – are valued according to the at-equity method and shown with their proportionate equity. For this the total net investment is considered pursuant to IAS 28 (Investments in Associates).

Regarding the consolidation of debt, reciprocal claims and liabilities between fully consolidated companies are netted out.

In the course of the consolidation of income and expenses, sales revenues, income and expenses arising from transactions between group companies are netted out.

Interim profits from internal group trade payables and from the sale of property, plant and equipment among consolidated companies are eliminated, provided that their influence on the net assets, financial position and results of operations of the Group is not of minor significance. The corresponding transactions from previous years are updated, provided they have been eliminated as material interim profits in the year of occurrence.

(b) Currency translation

All receivables and liabilities in foreign currency in the individual financial statements of the Group's companies are valued at the average exchange rate on the closing date regardless of any exchange rate hedging. Forward contracts entered into to hedge exchange rates are shown at their respective fair value.

The balance sheets and income statements of the subsidiaries included in the consolidated financial statements are almost without exception also prepared in euro.

Only two fully consolidated and two associated companies prepare their financial statements in US dollars or Polish zloty, respectively. The amounts included in the consolidated financial statements are converted to Euro under IAS 21 (The Effects of Changes in Foreign Exchange Rates) using the concept of functional currency. The conditions for simplified conversion using the average rate in accordance with IAS 21.40 apply for all companies concerned. The following exchange rates were used as a basis:

EUR1		Closing date range		Average rate	
		2011	2010	2011	2010
Poland	PLN	4.4580	3.9656	4.1185	3.9907
USA	USD	1.2939	1.3233	1.3925	1.3265

The currency differences resulting from the conversion of the proportionate equity are shown in the equity of the Group without impacting income.

(c) Financial instruments

(i) Original (non-derivative) financial instruments

Original financial instruments group together holdings and securities, trade receivables, some other receivables, cash and cash equivalents, debts, trade payables and some other liabilities are classified in various categories in accordance with IAS 39 (Financial Instruments: Recognition and Measurement). Financial assets are accounted for as at the trading day.

Holdings and securities are classified as 'available for sale' and measured at amortised acquisition cost, since there is no transparent market that would allow measurement at fair value.

In contrast holdings in associated companies are initially valued at acquisition cost and updated using the at-equity method. If, in the course of the initial consolidation of these holdings, hidden reserves or liabilities have been uncovered, they are – taking into consideration any write-offs – also contained in the 'financial assets accounted for by the at-equity method' balance sheet item.

All other original financial instruments are classified as 'loans and receivables' or 'liabilities' and valued at the updated acquisition cost. For this purpose loans and debts with little or low interest are valued using the effective interest rate method.

Where there are doubts concerning full collectability, financial instruments are stated at the lower collectible amount. Apart from the specific bad debt charges required, identifiable risks are accounted for by creating an allowance for doubtful accounts.

Write-offs are in part booked to bad debt accounts. The decision as to whether a default risk is accounted for using a bad debt account or via a direct reduction to receivables depends on the degree of reliability of the assessment of the risk situation. A write-off is recorded if there are objective indications that this should occur. Significant financial troubles on the part of a debtor, increased probability that a debtor is going into bankruptcy or another judicial reorganisation procedure, as well as a breach of contract are all indicators that an impairment exists.

If the reasons for the impairment loss disappear in subsequent periods, the impairment loss is reversed and taken to income. If receivables that have already been impaired are classified as uncollectible, they are written off to profit and loss.

Financial liabilities from financial lease agreements are entered as liabilities at the present value of future lease instalments.

(ii) Derivative financial instruments

Derivative financial instruments are used to reduce currency, interest rate and metal price risks and pursuant to IAS 39 are accounted for an initial valuation at acquisition cost and subsequently at their fair value. They are shown under "financial assets" or "financial liabilities".

For the valuation of derivative financial instruments, fair value is calculated using approved financial models. The respective fair values recorded correspond to the amount at which an asset or liability could be settled between knowledgeable business partners not associated with each other and willing to enter into such a contract. The valuation reflects the estimates of market conditions by the bank partners at the balance sheet date. They were calculated based on the market data available at the time of calculation, which, however, is subject to continuous change. Numerous factors may influence the valuation and may have resulted in different values in the interim. Performance to date is not a predictor of future performance.

Exchange rate risks

In a forward exchange transaction a particular exchange rate is set for a specific point in time in the future at the time that the underlying transaction is entered into, as set out in the Group's guidelines on foreign currencies. This process assures that the maturity date coincides with the payment date of the underlying receivable or liability and that no open foreign currency or time deposit positions arise.

No independent market risk arises from the forward exchange transaction, since in every case it forms a closed position in conjunction with the associated operational transaction. This guarantees that at the agreed date liquidity in the hedged currency will be available in the amount required.

Interest rate risks

In addition, interest rate swap and interest cap transactions are entered into. The purpose of the interest rate swaps is either to limit variable interest payments from loans taken out for the duration of the agreement or to limit specific interest rates from the ongoing Asset Backed Securities Programme. The goal of the interest cap transactions is to establish an upper limit for liabilities with variable interest rates based on EURIBOR.

Gains and losses from derivative financial instruments that are used as qualified hedging instruments as part of a fair value hedge are taken to income and reported on the income statement. Any changes to earnings due to the ineffectiveness of these financial instruments are recorded immediately against income and shown in the income statement.

Changes to the fair value of a hedging derivative as part of a cash flow hedge are recorded against equity with no impact on income. The amounts thus recorded are booked to the income statement during the period in which the hedged underlying transaction impacts income. They are recorded directly in the income statement, if changes in the value of the derivative do not represent an effective hedging tool for future cash flows from the hedged transaction.

Changes in metal prices

The companies in the steel and metals recycling segment trade in metals and alloys. Both stock and direct sales transactions take place. Metals trading occurs in markets in which prices are subject to frequent fluctuations.

Price changes for metals may have an impact on contracts the fulfilment date of which is after the balance sheet date (pending transactions) on the one hand and on the other hand fluctuations in the value of warehouse inventory may result. Both risks, the price risk from pending fixed price contracts, as well as the price risk for inventories, are hedged occasionally with commodities futures transactions. According to the extent to which the risks are influenced by the corresponding metal prices, Interseroh hedges them via brokers at the London Metal Exchange (LME Holdings Ltd.).

Commodities futures transactions are accounted for at fair value. The carrying amount of the hedged warehouse inventory is adjusted with the changes in fair value of the hedged risks and taken to income.

(d) Intangible assets

Intangible assets are valued at acquisition cost less scheduled depreciation over their terms of useful life. With the exception of goodwill with indeterminable terms of useful life, intangible assets are amortised according to the straight-line method over a period of two to 20 years. Write-offs are effected when this is deemed appropriate in the course of the impairment tests performed at least once a year. When the reasons for impairment cease to exist, corresponding write-ups are – with the exception of goodwill – effected; they may not exceed the updated carrying values.

In accordance with the option set forth in IFRS 1.15 and Appendix B, goodwill from acquisitions prior to January 1, 2004, is amortised according to previous law. This means that scheduled depreciation and impairment losses undertaken in earlier periods are maintained and goodwill offset against equity, without impacting income, is not subsequently capitalised.

(e) Property, plant and equipment

Property, plant and equipment are valued pursuant to IAS 16 (Property, Plant and Equipment) at acquisition or production cost less accumulated depreciation and scheduled depreciation and impairment losses during the fiscal year. Interest on debt capital as interpreted in IAS 23 (Borrowing Costs) is not capitalised. According to the component approach, under certain conditions expenditures on assets are broken down and individual components measured separately. This is particularly true in the event that the components have different terms of useful life or are subject to different impairment approaches, which justify different depreciation procedures.

Costs for the repair of property, plant and equipment are charged against income. They are only capitalised if the costs result in an addition or significant improvement to the relevant asset.

Immovable property, plant and equipment (buildings and structures) are depreciated on a straight-line basis over their expected useful life. This also applies to movable property, plant and equipment. When determining depreciation amounts, residual value remaining after the customary term of useful life is taken into account.

When selling or decommissioning property, plant and equipment, the gain or loss from the difference between the sales proceeds and residual carrying value is stated under other operating income or expenses as the case may be.

Scheduled depreciation is based on the following terms of use and depreciation rates standardised throughout the group:

	Useful life Years	Depreciation rate %
Land and Buildings		
Business and factory premises and other	25 - 50	2.00 - 4.00
outdoor installations	5 - 33	3.33 – 20.00
Technical equipment and machinery	4 - 33	3.33 – 25.00
Other facilities, fittings and equipment		
Vehicles	2 - 9	11.11 – 50.00
Fittings, Office machines and equipment	2 - 25	4.00 – 50.00
Low-value items (up to EUR 150)	< 1 year	100.00
Low-value items (up to EUR 1,000)	5	20.00

If impairment is noted during the performance of impairment tests, an impairment loss is recorded. If the reasons for the impairment loss cease to apply, appropriate reversals are undertaken.

(f) Leased assets

Rented or leased intangible assets and property, plant and equipment, which, according to the requirements of IAS 17 (Leases), must be considered economically as fixed asset acquisitions with long-term financing (finance-leasing), are stated in the balance sheet at the time of commencement of the contract at the lower of the present value of the minimum lease payments, taking one-off payments into account, or fair market value. They are subject to scheduled depreciation over their normal useful life. If a subsequent transfer of ownership of the leased object under civil law is not certain, the term of the lease agreement, if shorter, is used as the basis for depreciation. Payment obligations arising from future lease instalments are stated as financial liabilities.

Obligations to return the property to its original condition are, in accordance with IAS 16.16 (c), included in the acquisition or production costs of the asset concerned at the amount of the discounted performance sum and depreciated according to the straight-line method over the normal useful life of the asset. Expected liabilities are reflected under provisions.

For assets under finance leases the same principles apply as those indicated in (d) and (e).

(g) Inventories

The raw materials, supplies and merchandise reported under inventories according to IAS 2 (Inventories) are valued at the lower of average acquisition or production costs or net selling price, i.e. the sales proceeds recoverable in the normal course of business less the estimated completion and selling costs. Apart from unit costs, production costs also include a reasonable share of the necessary fixed and variable material and production overheads to the extent incurred in connection with the production process. Costs of administration are taken into consideration to the extent that they are attributed to the production area.

(h) Impairment test

A review of recoverability of assets takes place in the Interseroh Group on at least an annual basis at year end, or during the year if special reasons for a review become apparent, at the level of the cash generating unit (CGU) as set forth in IAS 36 (Impairment of Assets).

(i) Definition of a CGU

Based on economic interdependencies, Interseroh has identified the segment of steel and metals recycling as an independent cash generating unit.

In the steel and metals recycling segment scrap is bought unsorted in small quantities, sorted at the scrap yards operated by the companies, processed if necessary and then sold in large quantities. Transparency exists in this segment regarding realisable selling prices and general market developments. Furthermore, the segment's trading volumes overall are of significance to market participants; this also has a positive effect on the negotiating positions of the individual companies. Contributions of the segment also result from transparency of information within the segment combined with market and especially price advantages from the segment-wide consolidation of sales volumes. Due to joint management by the segment management company, the individual companies cannot be viewed as "largely independent", but rather all companies in this segment are classified as one CGU.

The companies in the services segment render waste disposal services. The companies in this segment are centrally managed. Payments associated with the relevant business activity cannot be viewed independently of the other companies. The companies of this segment, therefore, form a CGU as a whole.

The departments paper, plastics and timber in the raw materials trading segment each formed a separate CGU until their sale on October 1, 2011. The companies in the respective sections were managed jointly and both procurement and marketing, as well as the associated payments, cannot be viewed independently of each other.

(ii) Performing the impairment tests

In the impairment tests the residual carrying amounts of the individual cash generating units are compared with their respective recoverable amounts, i.e. the higher of net selling price and value in use. The calculation of the value in use is based on the present value, calculated using the discounted cash flow method (DCF method), of future payments forecast for the next three years in the current individual plans of the Interseroh Group broken down into business field and site. A risk-free interest rate of 3.25 percent (previous year: 3.00 %), a market risk of 5.30 percent (previous year: 5.00%) are assumed, as are a beta factor for the services segment of 0.71 (previous year: 1.20) and for the steel and metals recycling segment of 1.37 (previous year: 1.20). For the first time in the year under review segment-specific growth discounts were recorded for the perpetuity phase. The growth discount for the services segment is 0.5 percent, for the steel and metals recycling segment 1.5 percent. The capitalisation interest rate before taxes for the steel and metals recycling segment is 13.04 percent, and for the services segment 8.85 percent (the previous year each was 12.80 percent). This results in an after-tax capitalisation interest rate for the steel and metals recycling segment of 9.58 percent, and for the services segment of 6.34 percent (the previous year each was 8.80 percent).

The point of departure for calculating the free cash flow per CGU is planned EBIT (earnings before income taxes, financing expense, finance income and the shares in earnings in associated companies that are accounted for using the equity method) of the relevant segment according to the three-year plan. This is adjusted by non-cash income and expenses, investment payments and changes in net current assets. For the following years constant earnings are assumed and also discounted on the basis of average planned EBIT.

If the recoverable amount of the cash generating unit calculated in this way is lower than its carrying value, there is an impairment loss amounting to the difference. In this case initially any goodwill that may exist for the relevant CGU is adjusted. Any residual amount still remaining is allocated to the other assets of the respective cash generating unit in proportion to the residual carrying values of every single asset on the balance sheet date.

(i) Payments to employees under pension commitments

The pension provision for the company pension scheme was calculated based on actuarial values according to the projected unit credit method prescribed in IAS 19 (Employee Benefits). Under the projected unit credit method the net present value of claims takes both the pensions known and entitlements acquired as at the balance sheet date, as well as future anticipated salary and pension increases, into consideration. Differences arising at the end of the year (so-called actuarial gains or losses) between scheduled pension liabilities calculated in this way and the actual present value of claims are only reflected in the balance sheet if they lie outside a range of 10 percent of the scope of liability. In this case the gains and losses are, if they exceed the 10-percent corridor, allocated over the average remaining service periods of the employees with entitlements and recorded as income or expense. The share of interest on the transfers to provisions contained in the pension expenses is shown as interest expense under financial income.

The plan assets exist exclusively in the form of reinsurance. The results of these commitments are consolidated for each company in a “funded” plan. For all other commitments for which no reinsurance exists, the results are shown in the category ‘unfunded plan’.

The commitment payments of the Group are as a rule based on the length of service and remuneration of the employees. Obligations comprise both commitments from ongoing pensions and from entitlements to pensions to be paid in the future.

(j) Provisions

In accordance with the criteria under IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), provisions are formed for uncertain liabilities, if it appears probable in each case that performance of a current obligation will result in a direct outflow of resources embodying future economic benefits and the value of this obligation or performance amount can be measured reliably, including in the form of estimates. All known uncertain liabilities and risks concerning the past fiscal year are taken into consideration in the performance amount with the highest probability of occurrence. If the expected scope of obligation is reduced by a change in estimate, the provision is reduced proportionately and income recorded as other operating income.

In the case of long-term provisions the portion that is to flow out after more than a year, and for which a reliable estimate of the amount or timing of the payment is possible, is stated at the present value calculated by discounting at an interest rate commensurate with the market and term.

(k) Sales revenues and other income

Sales revenues are recognised at the time of the transfer of risk in the case of supplies or at the time of rendering of the service in the case of services, deducting all taxes and revenue reductions that may apply.

Compensation fees are recorded as appropriate to the period in accordance with the specifications of the underlying contract.

(l) Production orders

Receivables from production orders are accounted for according to the Percentage of Completion (PoC) method under IAS 11. Amounts realised are reported under sales revenues depending on the degree of completion. The degree of completion is calculated by comparing actual costs as at the balance sheet date to total costs planned (cost-to-cost method). In the event that services have been rendered for production orders that exceed the amount of instalment payments received for the order, these amounts are recorded in the trade receivables account. In the event that payments received from instalment invoices exceeds the services rendered, these amounts are recorded in the trade payables account. Pending losses are recorded in full at the time they become known.

(m) Financial income and expenses

Financial income mainly includes interest income and dividends. Interest income is recorded using the effective interest rate method, dividends on the creation of the legal claim to payment. This occurs at that point in time at which it becomes probable that the economic benefit from the transaction will flow to the company and the amount of revenues can be reliably ascertained.

In addition to the expenses for interest on loans, financial expenses also include compounding of long-term debt and amortisation of financial assets. All interest expenses are recorded using the effective interest rate method.

(n) Income taxes

INTERSEROH SE has established a corporate and trade tax entity with ALBA KG by entering into the control and profit transfer agreement in 2011. As a result, with the exception of the taxation of equalisation payments to external shareholders in accordance with section 16 of the Corporate Tax Act, tax effects as of fiscal 2011 arising from INTERSEROH SE and its subsidiaries continue to have an impact only beyond the scope of consolidation. Only such effects, therefore, are taken into account in the consolidated financial statements as at December 31, 2011, as relate to INTERSEROH SE and its subsidiaries until fiscal 2010, or relate to companies of the Group that are not included in the tax entity.

Current income taxes paid or owed in individual countries, as well as deferred tax liabilities, are reported as tax expenses. The calculation of current income tax including claims for reimbursement and debt is based on applicable laws and regulations in the individual countries.

Deferred taxes are calculated based, on the one hand, on timing differences between the valuations of assets and liabilities in the balance sheets according to IFRS and for tax purposes and from consolidation processes and, on the other hand, on realisable loss carry-forwards.

Deferred tax claims are only taken into account if it is reasonably certain that the temporary differences can actually be reversed for tax purposes and that the tax loss carry-forwards can actually be utilised. The losses carried forward to be used for tax purposes are determined by calculating total planned EBT for the next three years for every company. The totalled planned EBT for each company is offset against the trade tax and corporate taxes carried forward of the respective company, taking into account the rules on offsetting losses.

Calculation of both current and deferred taxes is based on the expected tax rates in the individual countries for the specific company at the time of realisation. These rates are based on the legal regulations applicable or adopted on the closing date.

If deferred taxes relate to transactions that are recorded directly in equity, the deferred taxes are recorded directly in equity. Otherwise, they are recorded against income.

(o) New and revised standards and interpretations applied for the first time during the fiscal year

In accordance with IAS 8.28 disclosures must be made upon first-time application of a standard or an interpretation that impacts the period under review or an earlier period. This is also the case, if such effects only lie within the realm of possibility. IAS 8.28, therefore, applies in the case of any changes in accounting policies resulting from a new standard or new interpretation. Changes in accounting policies due to a new standard or new interpretation relates both to mandatory changes and to the first-time use of accounting options.

Annual improvements to IFRS 2010

As part of the annual IFRS improvements in 2010, eleven amendments were made to six standards and one interpretation. The intention is to clarify existing regulations by adapting the formulation of individual IFRS. In addition there are modifications with effects on accounting, recognition or measurement. Standards IAS 1, IAS 27 (in conjunction with IAS 21, 28 and 31), IAS 34, IFRS 1, IFRS 3, IFRS 7 and the interpretation IFRIC 13 are involved.

The amendments have no significant effect on INTERSEROH SE's consolidated financial statements.

IAS 24 – Related parties (revised 2009)

The amended IAS 24 has introduced an exemption option for the disclosure of transactions with certain related parties. This option extends to transactions with all public agencies that can control, jointly manage or significantly influence the reporting entity, as well as transactions with entities that can be controlled, jointly managed or significantly influenced by the same public agency. The amendment requires that detailed disclosures are provided only for individual material transactions. For individually insignificant, but jointly significant, transactions only quantitative or qualitative indications of their effects need to be disclosed now.

Furthermore, the amendment to IAS 24 has clarified the definition of a related party in such a manner that symmetry has now been achieved: Two companies that are related from the point of view of one of them are now also related from the point of view of the other company.

The Interseroh Group is not affected by this new exemption option.

Amendments to IFRIC 14 – Prepaid contributions under minimum funding requirements

This announcement modifies IFRIC 14: IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. IFRIC 14 contains regulations for accounting for defined benefit pension plans in cases in which existing plan assets exceed pension obligations. The modification is relevant for those cases in which a company is subject to a minimum funding requirement and prepays its contributions in order to fulfil these minimum funding requirements. This modification now allows economic benefit from the prepayments of minimum funding requirements to be accounted for in these cases.

The Interseroh Group is not affected by this regulation.

(p) Standards and interpretations not applied

According to IAS 8.30, an entity must report on new standards or interpretations of the IASB if these standards and/or interpretations are not yet mandatory in the year under review and are also not applied prematurely by the respective company. No standards or interpretations not yet mandatory have been applied in these consolidated financial statements.

Standards and interpretations already incorporated into EU law.

Amendment to IFRS 7 Disclosures – Transfer of Financial Assets

Amendments to IFRS 7 involve expanded disclosure requirements when transferring financial assets. This should make the relationships between financial assets that are not to be fully written off and the corresponding financial liabilities more comprehensible. In addition, the nature and in particular the risks of a continuing involvement should be more easily assessed in the case of financial assets that are to be written off. The modification also requires additional disclosures if an unusually large number of transfers occurs with continuing involvement - for instance, at the end of the period under review.

The amendment is to be applied in fiscal years starting on or after July 1, 2011.

Standards and interpretations not yet incorporated into EU law.

Amendments to IAS 1 – Presentation of other comprehensive income

This amendment relates to the presentation of other comprehensive income in the comprehensive income statement. The items of other comprehensive income that are later reclassified in the income statement are in future to be presented separately from items in other comprehensive income that will never be reclassified. If the items are reported gross, i.e. without offsetting the effects of deferred taxes, the deferred taxes are no longer to be reported in one amount, but to be allocated to both groups of items.

The amendment is to be applied in fiscal years starting on or after July 1, 2012, provided it is to be adopted under EU law.

IAS 19 - Employee Benefits (revised 2011)

The revised standard implements the following amendments in particular, as well as more comprehensive disclosure requirements on employee benefits.

There is currently an option as to the manner in which unexpected fluctuations in pension obligations, the so-called actuarial gains and losses, may be presented in the financial statements. They can either (a) be recorded in the income statement, (b) under other comprehensive income (OCI) or (c) on a time-deferred basis according to the so-called corridor method. The new version of IAS 19 eliminates this option in favour of a more transparent and comparable presentation, so that in future only direct recording in other comprehensive income is permitted.

Furthermore, currently anticipated income from plan assets is calculated based on the value development of the investment portfolio on the basis of subjective management expectations. Application of IAS 19 (revised in 2011) permits only standardised interest accruals on the plan assets in the amount of the current discount interest rate of the pension obligations.

The amendment is to be applied in fiscal years starting on or after January 1, 2013, provided it is to be adopted under EU law. Since the Group currently uses the corridor method, the amendment – if applied according to the situation on December 31, 2011 - would lead to a higher provision in the amount of EUR 2.01 million. The income statement will in future remain free of actuarial gains and losses with the shift from the corridor method to the amended method.

Amendments to IAS 28 – Investments in associates and joint ventures

In the course of adopting IFRS 11 Joint Arrangements, amendments were also made to IAS 28. As it has to date, IAS 28 governs the application of the equity method. The scope of application has been considerably expanded, however, due to the adoption of IFRS 11, since in future not only investments in associates, but also joint ventures (refer to IFRS 11) must be measured according to the equity method. Proportional consolidation for joint ventures is no longer applied.

The amendment is to be applied in fiscal years starting on or after January 1, 2013, provided it is to be adopted under EU law.

Amendments to IAS 32 and IFRS 7 – Offsetting financial assets and financial liabilities

This addition to IAS 32 clarifies what prerequisites must exist in order to offset financial instruments. The addition explains the current legal requirements for offset and clarifies which procedures with gross offset can be deemed as net offset under the standard. The rules on disclosures in IFRS 7 in the Notes were also expanded hand-in-hand with these clarifications.

The amendment of IAS 32 is to be applied in fiscal years starting on or after January 1, 2014, provided it is adopted under EU law.

The amendment of IFRS 7 is to be applied in fiscal years starting on or after January 1, 2013, provided it is adopted under EU law.

IFRS 9 – Financial instruments:

Recognition and measurement of financial instruments according to IFRS 9 will replace IAS 39. Financial assets will in future be classified and measured only in two groups: At amortised acquisition cost or at fair value. The group of financial assets at amortised acquisition cost consists of such financial assets which provide only for a claim on interest and redemption payments at specified periods in time and which are held under a business model with the objective of holding assets. All other financial assets constitute the group measured at fair value.

Under certain conditions a designation to the fair value category ('fair value option') can be undertaken for financial assets in the first category.

Changes in value in financial assets of the fair value category are as a rule to be recorded in profit or loss. In the case of certain equity instruments, however, the option can be utilised to record changes in value in other comprehensive income; dividend claims from these assets are, however, to be recorded in profit or loss.

The rules for financial liabilities are in principle simply adopted from IAS 39. The most significant difference regards the recording of value changes in financial liabilities measured at fair value. In future these should be divided: The portion related to own credit risk should be recorded in other comprehensive income; the remainder of the change in value is to be recorded in profit or loss.

IFRS 9 is to be applied in fiscal years starting on or after January 1, 2015, provided it is adopted under EU law.

IFRS 10 – Consolidated financial statements

This standard provides a new and comprehensive definition of the term ‘control’. If one entity controls another, the parent is required to consolidate the subsidiary. According to the new concept, control can be said to exist if the potential parent has the power of decision over the potential subsidiary based on voting rights or other rights, it participates in positive or negative variable returns from the subsidiary and can influence such returns through its power of decision.

Effects from this new standard may arise for the scope of consolidation, including in the case of special-purpose companies.

The new standard is to be applied in fiscal years starting on or after January 1, 2013, provided it is adopted under EU law.

If in the case of an investment the qualification as subsidiary is different between IAS 27/SIC-12 and IFRS 10, IFRS 10 should be applied retrospectively. Early application is allowed only simultaneously with IFRS 11 and IFRS 12, as well as IAS 27 and IAS 28 as amended in 2011.

IFRS 11 – Joint arrangements

IFRS 11 provides new rules for accounting for joint arrangements. According to the new concept a decision should be made as to whether a joint operation or a joint venture exists. A joint operation is said to exist, if the jointly controlling parties have direct rights to the assets and direct obligations for the liabilities. The individual rights and obligations are accounted for proportionally in the consolidated financial statements. In a joint venture on the other hand the jointly controlling parties have rights to the net assets. This right is reflected by applying the equity method in the consolidated financial statements; the option for proportional inclusion in the consolidated financial statements thus no longer applies.

The new standard is to be applied in fiscal years starting on or after January 1, 2013, provided it is adopted under EU law. Specific transitional rules exist for the transition from proportional consolidation to the equity method. Early application is allowed only at the same time as IFRS 10 and IFRS 12, as well as IAS 27 and IAS 28 as amended in 2011.

IFRS 12 – Disclosure of interests in other entities

This standard governs the disclosure obligations with regard to interests in other entities. The required disclosures are considerably more comprehensive than the disclosures as previously required by IAS 27, IAS 28 and IAS 31.

The new standard is to be applied in fiscal years starting on or after January 1, 2013, provided it is adopted under EU law.

IFRS 13 – Fair value measurement

This standard provides uniform regulations for fair value measurement in IFRS financial statements. All fair value measurements required under other standards are in future to observe the uniform specifications of IFRS 13; only IAS 17 and IFRS 2 will continue to have their own rules.

Fair value under IFRS 13 is defined as exit price, that is, the price that would be obtained through the sale of an asset or the price that would have to be paid to transfer a debt. As currently known from the fair value measurement of financial assets, a three-step hierarchical system is introduced, which divides assets depending on their observable market prices. The new fair value measurement may result in figures that differ compared to those under the previous rules.

The new standard is to be applied in fiscal years starting on or after January 1, 2013, provided it is adopted under EU law.

4. Capital management

As part of capital management the Board of Directors endeavours to assure a strong equity base in order to strengthen the confidence of investors, potential investors and contractual partners with respect to the sustainability of Interseroh's business activities and to guarantee future business development.

So far there has been no intention to have employees participate in the Company in the form of an employee stock plan.

The management system implemented by the Board of Directors aims at a reasonable return on capital employed. A key management indicator for the Group of companies is the total return on capital employed (= ratio of EBIT to total capital). The target for each business unit in the Group is an ROCE of 10.00 percent. The ROCE of the fiscal year, including the raw materials trading segment, is 8.82 percent.

5. Scope of consolidation

(a) Overview

Apart from INTERSEROH SE, the consolidated financial statements as of the balance sheet date also include a total of 26 domestic and seven foreign subsidiaries by way of full consolidation. The fully consolidated companies fulfil the requirement that INTERSEROH SE directly or indirectly holds the majority of voting rights in them.

Below is a summary of the changes in the group of consolidated companies in the financial year (including INTERSEROH SE).

Number of companies	fully consoli-dated	valued at equity	not included due to immateriality			Total
			Holding > 50%	Holding >= 20% <= 50%	Holding < 20%	
Balance 1.1.	36	5	13	18	3	75
Additions	9	0	8	0	0	17
Disposals	-11	-2	-7	-7	0	-27
Balance 31.12.	34	3	14	11	3	65

The following changes have taken place in the fully consolidated companies:

Company	Abbreviation	Reason
Additions (fully consolidated)		
Elvira Westarp GmbH, Aschaffenburg	Westarp	Acquisition (100%)
ARG Abbruch und Rückbau GmbH, Lübbenau	ARG	Acquisition of an additional 51% of the parent fm
Brandenburgische Boden Gesellschaft für Grundstücksverwaltung und -verwertung mbH, Zossen	BBG	Acquisition of an additional 51% of the parent fm
TVF Altwert GmbH, Lübbenau	TVF	Acquisition of an additional 51% of the parent fm
Projektgesellschaft Nauen GmbH, Nauen	PGN	Acquisition of an additional 51% of the parent fm
profitara deutschland gmbh, Cologne	Profitara	Expansion of business activities
SES-Umwelt-Technik GmbH, Wuppertal	SES	Expansion of business activities
fm Beteiligungsgesellschaft mbH, Lübbenau	fm	Acquisition of additional 51%
ISR Interseroh Italia S.r.l., Genoa/Italy	ISR Italia	Acquisition of additional 50%

Disposals (fully consolidated)		
fm Beteiligungsgesellschaft mbH, Lübbenau	fm	merged
INTERSEROH Berlin GmbH, Berlin	ISB	merged
INTERSEROH Jade-Entsorgung GmbH, Rostock	Jade	merged
SES-Umwelt-Technik GmbH, Wuppertal	SES	sold as at August 31, 2011
ISR Interseroh Italia S.r.l., Genoa/Italy	ISR Italia	sold as at October 1, 2011
INDO CHINA EUROPE BVBA, Vorselaar/Belgium	ICE	sold as at October 1, 2011
RDB plastics GmbH, Aukrug	RDB	sold as at October 1, 2011
INTERSEROH Holzhandel GmbH, Cologne	ISH	sold as at October 1, 2011
INTERSEROH Holzkontor OWL GmbH, Porta Westfalica	HK OWL	sold as at October 1, 2011
INTERSEROH Holzkontor Berlin GmbH, Berlin	HK Berlin	sold as at October 1, 2011
INTERSEROH Holzkontor Worms GmbH, Worms	HK Worms	sold as at October 1, 2011

Three companies, one domestic and two foreign, have been included ‘at equity’ in INTERSEROH SE’s consolidated financial statements as at the balance sheet date. The following changes took place:

Company	Abbreviation	Reason
Disposals (at equity)		
ISR Interseroh Italia S.r.l., Genoa/Italy	ISR Italia	Acquisition of additional 50%, fully consolidated prior to sale
fm Beteiligungsgesellschaft mbH, Lübbenau	fm	Acquisition of additional 50%, fully consolidated prior to merger

(b) Companies and business units acquired or included in consolidation for the first time

The companies acquired or included in consolidation for the first time in fiscal 2011 were, taken individually and together, of minor significance with regard to the Group’s net assets, financial position and results of operations and its payment flows.

The amounts reflecting the assets and liabilities of the acquired companies and business units recorded at the time of acquisition or first-time consolidation can be found in the table below:

	fm sub-group 100% EUR million	ISR Italia 100% EUR million	Profitara 100% EUR million	SES 100% EUR million	Westarp 100% EUR million
Goodwill	0.66	0.25	0.00	0.00	3.29
Non-current assets	8.57	0.08	0.00	0.01	1.64
Current assets	8.32	2.03	0.26	0.51	2.89
Non-current liabilities	2.25	0.02	0.00	0.00	0.92
Current liabilities	9.28	2.06	0.32	0.35	0.86
Total purchase prices	6.02	0.28	0.00	0.08	6.04
Cash flow included in the short term assets	3.83	0.42	0.25	0.00	0.88

INTERSEROH Scrap and Metals Holding GmbH, Dortmund, acquired the remaining shares of fm effective January 1, 2011. The latter holds all shares in TVF, a leading European company in the field of demolition, reconstruction and waste disposal projects. It also holds shares in BBG. This acquisition should serve especially to expand the range of services in the area of environmental service provision and raw materials trading. PGN and ARG continue to be part of the fm corporate group. fm was merged into INTERSEROH Scrap and Metals Holding GmbH with retroactive effect to January 1, 2011, upon entry into the commercial register on February 4, 2011.

The total purchase price of EUR 6.02 million is composed of a fixed purchase price of EUR 1.89 million and variable purchase price components in the amount of EUR 1.29 million, as well as the fair value of the equity components of the company already held in the amount of EUR 2.84 million. There was no impact on earnings from the measurement of the equity shares already held at the time of acquisition during the year under review.

Based on a contract dated February 7, 2011, RDB raised its share in ISR Italia effective January 1, 2011, from 50 percent to 100 percent at a purchase price of EUR 0.23 million. ISR Italia’s business purpose is the purchase and sale of recovered paper and plastics. In part these are traded domestically. The 100 percent shareholding in ISR Italia was desirable, because this enterprise is to play a central part in expanding our pan-European purchasing organisation for the aforementioned materials flows.

The carrying value of the equity shares in ISR Italia already held had a value of EUR 0.05 million as at December 31, 2010. The fair value derived from the purchase price for the remaining shares acquired in 2011 amounts to EUR 0.23 million. There was no impact on earnings from the fair value measurement of the equity shares held.

Profitara, previously not a consolidated company, was consolidated for the first time as at January 1, 2011. The company supports its customers in complying safely with the requirements of the packaging ordinance and actively provides advisory services in the entire process of packaging management and waste disposal.

SES, fully owned by the Interseroh Group, is a service company providing complete waste disposal for trade and industry. The company, previously not consolidated, was also consolidated for the first time as at January 1, 2011. The company was sold to ALBA West GmbH, Essen, as at August 31, 2011.

As at September 1, 2011, INTERSEROH Scrap and Metals Holding GmbH took over Westarp at a purchase price of EUR 6.04 million. With this step Interseroh is expanding its portfolio in the field of collection, transport and recycling of steel and metal scrap and strengthening its site structure in the areas of Rhine-Main and Lower Franconia.

Synergy and income expectations for the future were taken into consideration in the purchase price negotiations, resulting in a purchase price that exceeded the carrying value, i.e. the (pro rata) equity of the company purchased; the difference was recorded in the appropriate amount as goodwill. It is not expected that the acquisition will bring about goodwill that might be deductible for tax purposes.

ISR Italia, Profitara and SES have no hidden reserves or liabilities. The fair values of the fm sub-group and of Westarp were each determined by purchase price allocation. The following hidden reserves and liabilities were discovered in this process:

	fm sub-group EUR million	Westarp EUR million
Customer base/order level	4.57	0.23
Brand	0.46	0.50
Property, plant and equipment	0.68	0.35
Current assets	0.00	0.18
Deferred tax assets related to assets	0.00	0.08
Hidden liabilitiy	-0.44	0.00
Deferred tax liabilities on hidden reserves	-1.30	-0.66
	3.97	0.68

As at December 31, 2010, in other words immediately prior to the time of acquisition, the hitherto 49-percent interest in fm was recorded at its fair value of EUR 2.84 million. This was derived from the acquisition costs for the remaining shares in 2011 in accordance with the new version of IFRS 3.

The fair value of the receivables acquired reflects gross and carrying value at EUR 7.80 million.

The companies, fully consolidated for the first time, contributed as follows to the Group's sales and earnings in 2011:

	Sales EUR million	Earning EUR million
fm sub-group	28.16	1.57
ISR Italia	6.10	0.02
Profitara	7.75	0.29
SES	1.49	-0.62
Westarp	2.02	0.07

If Westarp had been included in the consolidated financial statements as at January 1, 2011, consolidated sales would have been EUR 6.61 million higher and consolidated earnings EUR 0.76 million higher.

Earnings of ISR Italia are included in after-tax earnings of discontinued operations.

Sales and earnings of SES relate to the period from January 1, 2011, to August 31, 2011.

(c) Divestments/deconsolidations

The following companies were sold in fiscal 2011:

- ISR INTERSEROH ITALIA S.R.L., Genoa, Italy
- INDO CHINA EUROPE BVBA, Vorselaar, Belgium
- RDB plastics GmbH, Aukrug
- INTERSEROH Holzhandel GmbH, Cologne
- INTERSEROH Holzkontor OWL GmbH, Porta Westfalica
- INTERSEROH Holzkontor Berlin GmbH, Berlin
- INTERSEROH Holzkontor Worms GmbH, Worms
- SES-Umwelt-Technik GmbH, Wuppertal

With the exception of SES, all companies belonged to the raw materials trading segment and were thus sold as part of the sale of the segment to ALBA Group plc & Co. KG, the parent company of INTERSEROH SE, as at October 1, 2011. The consolidation with the ALBA business division allows optimal consolidation of the raw materials activities of the entire group in the future, as well as the development of new markets for paper and plastics, for instance, in Western and Southern Europe. The raw materials trading segment was thus presented as discontinued operations and the previous year's figures adjusted.

The following effects on the Group's assets and liabilities and results of operations were felt as a result of the sale of the raw materials trading companies:

	Raw Materials Trading 01.10.2011 EUR million
Goodwill	-6.94
Non-current assets	-11.68
Current assets	-31.97
Total asset disposed of	**-50.59**
Non-current liabilities	0.35
Current liabilities	22.26
Total debt disposed of	**22.61**
Total equity disposed of	-27.98
Equity component (OCI–other comprehensive income) from measurement of derivatives disposed of	-0.42
Recurring receivables from companies disposed of	12.84
Minority interests	0.85
Sales price	14.71
Gain/loss from sales	**0.00**

The sale of the companies incurred cash outflows of EUR 6.25 million and the purchase price was EUR 14.71 million, resulting in a cash inflow of EUR 8.46 million.

Earnings from discontinued operations can be broken down as follows:

	Raw Materials Trading	
	01.01.2011-30.09.2011 EUR million	01.01.2010-31.12.2010 EUR million
Sales revenues	127.76	138.97
Other income	1.38	11.28
Expenses	127.27	145.76
Operating earnings (EBIT)	1.87	4.49
Net financial income	-0.37	-0.83
Earnings before taxes	1.50	3.66
Income tax expense	-1.95	-0.53
Earnings after taxes from discontinued business	3.45	4.19
of which income attributable to minority interests	-0.15	-0.20
of which income attributable to shareholders of the parent	3.30	3.99
Earnings per share from discontinued business (€)	0.33	0.41

Cash flows from discontinued operations can be broken down as follows:

	Raw Materials Trading 2011 EUR million	Raw Materials Trading 2010 EUR million
Cash flow from operating activity	-2.86	10.79
Cash flow from investment activity	-0.20	-1.10
Cash flow from financing activity	4.00	-9.37
Cash changes in cash and cash equivalents	0.94	0.32

The following effects on the Group's assets and liabilities and results of operations were felt as a result of the sale of SES effective August 31, 2011:

	SES 31.08.2011 EUR million
Goodwill	-0.33
Non-current assets	-0.75
Current assets	-0.44
Total assets disposed of	**-1.52**
Current liabilities	0.77
Total debt disposed of	**0.77**
Total equity disposed of	-0.75
Recurring receivable from companies disposed of	1.31
Difference from initial consolidation disposed of	0.08
Sales price	0.47
Gain from sales	**1.11**

The profit from the sale is shown under other operating income.
Cash outflows were EUR 0.14 million; the total cash inflow was, therefore, EUR 0.33 million.

6. List of shareholdings in accordance with section 313 of the German Commercial Code

INTERSEROH SE owns the following significant direct and indirect holdings of 20 percent or more as at the balance sheet date:

a) Fully consolidated companies (in addition to INTERSEROH SE)

	Holding	Headquarter	Group Share %
1.	INTERSEROH Dienstleistungs GmbH	Cologne	100
2.	INTERSEROH Austria GmbH (formerly: EVA Erfassen und Verwerten von Altstoffen GmbH)	Vienna/Austria	100
3.	INTERSEROH zbiranje in predelava odpadnih surovin d.o.o.	Ljubljana/Slovenia	100
4.	Repasack Gesellschaft zur Verwertung gebrauchter Papiersäcke mbH	Wiesbaden	100
5.	INTERSEROH Pfand-System GmbH	Cologne	100
6.	INTERSEROH Pool-System GmbH	Cologne	100
7.	INTERSEROH Product Cycle GmbH	Cologne	100
8.	profitara deutschland gmbh	Cologne	100
9.	INTERSEROH Management GmbH	Cologne	100
10.	INTERSEROH Scrap and Metals Holding GmbH	Dortmund	100
11.	Elvira Westarp GmbH	Aschaffenburg	100
12.	INTERSEROH NRW GmbH	Dortmund	100
13.	INTERSEROH Evert Heeren GmbH	Leer	100
14.	Groninger VOP Recycling B.V.	Groningen/Netherlands	100
15.	INTERSEROH Franken Rohstoff GmbH	Sennfeld	100
16.	INTERSEROH Hansa Rohstoffe GmbH	Dortmund	100
17.	INTERSEROH Rhein-Neckar Rohstoff GmbH	Mannheim	100
18.	INTERSEROH Jade-Stahl GmbH	Wilhelmshaven	100
19.	INTERSEROH BW Rohstoff und Recycling GmbH	Stuttgart	100
20.	INTERSEROH SEROG GmbH	Bous	100
21.	RHS Rohstoffhandel GmbH	Stuttgart	67
22.	INTERSEROH-Metallaufbereitung Ost GmbH	Rostock	100
23.	Brandenburgische Boden Gesellschaft für Grundstücksverwaltung und -verwertung mbH	Zossen	100
24.	Projektgesellschaft Nauen GmbH	Nauen	100
25.	TVF Altwert GmbH	Lübbenau	100
26.	ARG Abbruch und Rückbau GmbH	Lübbenau	100
27.	INTERSEROH Scrap and Metals Trading GmbH	Cologne	100
28.	INTERSEROH Hansa Finance GmbH	Dortmund	100
29.	Wagner Rohstoffe GmbH	Frankfurt a.M.	100
30.	TOM Sp. z o.o.	Szczecin/Poland	70
31.	Europe Metals B.V.	Heeze/Netherlands	100
32.	Europe Metals Asia Ltd.	Kowloon, Hong Kong/China	100
33.	INTERSEROH USA Inc.	Atlanta/USA	100

b) Associated companies (valued under the at-equity method)

	Holding	Headquarter	Group Share %
1.	TOM II Sp. z o.o.	Szczecin/Poland	50
2.	Ziems Recycling GmbH	Malchow	25
3.	The ProTrade Group LLC	Hudson, Ohio/USA	25

c) Companies not included for reasons of materiality

	Holding	Headquarter	Group Share %	
1.	Interseroh d.o.o. za posredovanje u zbrinjavanju otpada	Zagreb/Croatia	100	
2.	Interseroh Organizacja Odzysku S.A.	Warsaw/Poland	100	
3.	profitara austria GmbH	Vienna/Austria	100	
4.	Zber a zhodnocovanie opdadov s.r.o.	Bratislava/Slovakia	100	
5.	INTERSEROH services d.o.o.	Sarajevo/Bosnia-Herzegovina	100	
6.	Beta Waste Kft.	Budapest/Hungary	100	
7.	INTERSEROH Metals GmbH	Ochtrup	100	
8.	TVF Ceska Republica s.r.o.	Prague/Czech Republic	100	
9.	Alphawaste Kft.	Budapest/Hungary	85	
10.	FENIKS Sp. z o.o.	Pila/Poland	70	
11.	TOM-Glob, Sp. z o.o.	Bydgoszcz/Poland	70	
12.	TOM Organizacja Odzysku Sprzętu Elektrycznego i Elekronicznego S.A.	Szczecin/Poland	70	
13.	TOM Elektrorecycling Sp. z o.o.	Szczecin/Poland	70	
14.	MAB Szczecin Sp. z o.o.	Szczecin/Poland	51	
15.	TOM Organizacja Odzysku S.A.	Szczecin/Poland	50	
16.	Organizacja Odzysku Odpadów i Opakowan´ EKOLA S.A.	Gdansk/Poland	50	
17.	DOL-EKO Organizacja Odzysku S.A. Wroclaw/Poland	Wroclaw/Poland	50	
18.	Kupol GmbH	Stuttgart	40	
19.	ProTrade Steel Company Ltd.	Ann Arbor, Michigan/USA	25	1)
20.	Toledo Shredding LLC	Toledo, Ohio/USA	25	1)
21.	ProTrade Transportation Services Ltd.	Hudson, Ohio/USA	25	1)
22.	America Electronics Recycling LLC	Sarasota, Florida/USA	25	1)
23.	RJ Recycling LLC	Nitro, West Virginia/USA	22	
24.	Flag City Recycling LLC	Finlay, Ohio/USA	25	
25.	Ölmühlen GmbH Nord-Ost	Semlow	22	

1) Included in the consolidated financial statements of The ProTrade Group LLC.

Notes on the income statement

The consolidated income statement is organised by types of expense (total cost procedure).

7. Sales revenues

Sales revenues for the fiscal year can be broken down in the following major categories:

	2011 EUR million	2010 EUR million
Goods – stock business	788.47	719.94
Goods – sales business	1,009.89	732.46
Services	387.13	378.33
Other	25.18	1.45
	2,210.67	1,832.18

The development in sales revenues by business fields and regions is shown in the segment reports. The category 'Other' reflects EUR 13.03 million in sales revenues from production orders.

8. Increase/Decrease in inventories of finished goods and work In progress

	Inventories		Inventory change	
	2011 EUR million	2010 EUR million	2011 EUR million	2010 EUR million
Work in progress	17.10	11.03	6.07	2.45
Finished goods	17.22	17.37	-0.15	-18.29
			5.92	-15.84
Changes due to changes in the scope of consolidation			-0.09	0.34
			5.83	-15.50

9. Other operating income

	2011 EUR million	2010 EUR million
Income from the reversal of liabilities	29.54	12.73
Refund of default reserve for asset-backed securities	11.41	10.53
Earnings from the liquidation of provisions	1.65	2.14
Income from the liquidation of specific bad debt allowances	1.84	1.72
Income from the disposal of assets	1.69	1.03
Exchange rate gains	1.38	2.04
Income from the market valuation of financial derivatives	1.21	0.73
Earnings from deconsolidations	1.11	9.53
Rental income	0.87	0.76
Insurance compensation, damage compensation	0.72	0.73
Other	9.48	7.78
	60.90	49.72

Income from the liquidation of provisions and reversal of liabilities relate primarily to the elimination of liabilities in connection with the obligations from the operating system business in the services segment accrued for in the previous year. These accruals were created in the previous year as liabilities from outstanding invoices, based on services already received, but not yet invoiced, as well as waste disposal obligations.

Reference is made to the details in Section 2 (d) (Use of Assumptions and Estimates by Management).

Income from deconsolidation results from the sale of holdings in *SES-Umwelt-Technik GmbH.*

10. Cost of materials

	2011 EUR million	2010 EUR million
Purchased raw materials and merchandise, less cash discounts	1,532.53	1,174.29
Expenses for waste disposal services and other disposal and recycling costs	268.85	266.12
Storage and freight costs	31.74	37.23
Energy costs	17.47	13.50
Counting services deposit packaging	4.24	5.25
Other services purchased	22.61	5.67
	1,877.44	1,502.06

The steep rise in cost of materials is related to higher raw materials prices, especially in the steel and metals recycling segment.

11. Personnel expenses

	2011 EUR million	2010 EUR million
Wages and salaries	85.41	70.96
Employee share of statutory pension insurance	5.61	5.08
Other social security contributions	8.47	6.81
Expenses for pensions and other benefits	0.93	0.74
Expenses related to payments from termination of employment contracts	0.47	1.66
	100.89	85.25

The rise in personnel expenses can be traced back to the rise in the number of employees, resulting primarily from a change in the scope of consolidation.

12. Write-offs on intangible assets and property, plant and equipment

	2011 EUR million	2010 EUR million
Scheduled depreciation		
Intangible assets	3.77	3.16
Property, plant and equipment	13.96	14.56
	17.73	17.72
Extraordinary depreciation		
Intangible assets	0.00	0.00
Property, plant and equipment	0.00	0.09
	0.00	0.09
	17.73	17.81

13. Other operating expenses

	2011 EUR million		2010 EUR million	
Operating and administrative expenses				
Maintenance costs	11.44		8.48	
Addition to the default reserve for asset-backed securities	11.37		10.71	
Legal, consulting and audit costs	10.85		14.62	
Rents and other premises costs	9.88		8.64	
Vehicle costs	7.73		7.28	
External data processing costs	5.40		4.44	
Insurance policies	4.66		4.25	
Leasing expense	3.99		3.58	
Market valuation of financial derivatives	2.42		0.89	
Other tax expenses	1.72		0.84	
Telephone, postage, Internet	1.60		1.58	
Incidental monetary transaction costs	1.44		1.17	
Other operating and administrative expenses	10.96	83.46	12.02	78.50
Selling expenses				
Sales commissions	90.34		72.25	
Outgoing freight, transport and storage	28.36		27.96	
Temporary personnel leasing	5.16		3.81	
Advertising and travelling costs	4.60		3.88	
Exchange rate losses	2.91		1.72	
Other selling expenses	0.78	132.15	0.60	110.22
Non-cash expenses				
Allowances for doubtful accounts	6.35		10.21	
Losses from disposals of assets	0.07		0.25	
Other non-cash expenses	3.42	9,84	4.01	14.47
		225.45		**203.19**

The allowances for doubtful accounts and specific bad debt allowances (especially on trade receivables and short-term loans) included in non-cash expenses also reflect write-offs and reversals of receivables.

The increase in sales commissions reported under selling expense relates to the services segment and is directly connected to sales revenue increases in this segment.

14. Investment and financial results

	2011 EUR million		2010 EUR million	
Profits/losses from associated companies accounted for under the "at-equity" method				
TOM II Sp. z o.o.	0.21		0.62	
Ziems Recycling GmbH	0.05		0.07	
The ProTrade Group LLC (sub-group)	-0.16		0.01	
fm Beteiligungsgesellschaft mbH (sub-group)	0.00		-1.00	
Eisen-und-Stein-Gesellschaft Horn mbH & Co.	0.00		0.22	
Mineralmahlwerk Westerwald Horn GmbH & Co. KG	0.00	0.10	0.17	0.09
Other income from holdings		0.27		0.87
Other expense related to holdings		0.11		0.04
Investment result		0.26		0.92
Financial income				
Other interest and similar income		3.57		2.05
Financial expenses				
Cost of interest from syndicated loan	3.48		7.73	
Transaction costs for asset-backed securities	2.62		2.94	
Insurance costs for asset-backed securities	0.16		0.13	
Interest portion of transfers to pension provisions	1.16		1.14	
Interest portion on the lease payments from finance leasing arrangements	0.84		0.19	
Bank interest and other costs	11.01	19.27	6.90	19.03
Net financial income		-15.70		-16.98

Further details on the syndicated loan can be found in Note 31.

The decrease in interest expense for the syndicated loan is the result of the reduced utilisation of the credit line, in addition to slightly lower interest rates.

The rise in bank and other interest is due primarily to the creation of a provision for anticipated interest payments in connection with requests from the tax authorities.

15. Income tax expense

The corporate tax rate for domestic companies that are not part of the income tax entity is 15.00 percent plus a solidarity surcharge on corporate taxes of 5.50 percent. The overall tax rate for the computation of deferred taxes for domestic companies ranges from 27.83 to 32.45 percent depending on the trade tax assessment rate to be applied (previous year: 27.45 % - 31.23 %).

Income tax rates applied to foreign companies vary from 16.50 to 38.25 percent as in the previous year.

	2011 EUR million	2010 EUR million
Taxes paid or due		
for the current year	4.22	11.43
for previous years	1.92	-1.42
	6.14	10.01
Deferred taxes		
on temporary differences	1.24	1.59
on change in losses carried forward	-0.64	0.54
	0.60	2.13
	6.74	12.14

During the year under review tax expense of EUR 2.05 million can be attributed to foreign subsidiaries (previous year: EUR 1.30 million).

We refer to Note 22 for further details on the accounting changes related to income tax.

Actual income tax expense can be derived from the expected tax expense for the past consolidated fiscal year as shown below:

	2011 EUR million		2010 EUR million	
Earnings before taxes		40.44		45.68
Expected income taxexpense of 31.00%		12.54		14.16
Write-off of deferred taxes due to control and profit transfer agreement	-1.73		0.00	
Non-recognition of current and deferred taxes due to control and profit transfer agreement	-2.81		0.00	
Effects of differences in domestic and foreign tax rates	-1.43		-0.96	
Tax-free sales and investment income	-0.34		-1.57	
Other tax –free income	-0.24		0.00	
Value adjustments to tax losses carried forward	-1.54		1.23	
Impairment loss (prior year: Reversal of impairment) / Non-entry of deferred tax assets on temporary differences	0.07		-1.02	
Tax expenses and income related to other periods	1.92		-1.80	
Non tax-deductible operating expenses	0.31		1.37	
Other permanent differences	0.00		0.13	
Other variances	0.00	-5.80	0.06	-2.55
Actual income tax expense		**6.74**		**11.61**

The previous year's figures include both data from continuing operations and date from discontinued operations.

16. Income/Loss to be attributed to minority interests

The profit/loss for other shareholders from continuing operations of EUR 1.71 million (previous year: EUR 2.02 million) relates exclusively to profit shares (previous year: profit shares of EUR 2.76 million, loss shares of EUR 0.74 million). The profit/loss shares for other shareholders from discontinued operations in the amount of EUR 0.15 million (previous year: EUR 0.21 million) relate to profit shares alone, as in the previous year.

17. Earnings per share

Earnings per share are calculated by subtracting the profit/loss for other shareholders from consolidated earnings and then dividing the result by the number of shares issued. Dilutive effects did not apply in either the year under review or the previous year.

With unappropriated net income attributable to INTERSEROH SE shareholders of EUR 35.28 million (previous year: EUR 31.84 million) and an unchanged number of issued shares of 9,840,000, this results in earnings per share of EUR 3.25 (previous year: EUR 2.83) from continuing operations, in the amount of EUR 0.33 (previous year: EUR 0.41) from discontinued operations and EUR 3.59 (previous year: EUR 3.24) from continuing and discontinued operations.

Notes on the balance sheet

18. Intangible assets

	Goodwill EUR million	Other intangible assets EUR million	Total EUR million
Acquisition costs			
as at 1.1.2010	108.22	44.32	152.54
Additions from changes in the scope of consolidation	2.26	0.34	2.60
Disposals from changes in the scope of consolidation	-6.37	-1.93	-8.30
Additions	0.73	1.34	2.07
Disposals	0.00	-0.04	-0.04
as at 31.12.2010	**104.84**	**44.03**	**148.87**
Depreciation	0.00	15.39	15.39
as at 1.1.2010	0.00	0.30	0.30
Additions from changes in the scope of consolidation	0.00	-1.14	-1.14
Disposals from changes in the scope of consolidation	1.06	4.51	5.57
Additions	0.00	-0.03	-0.03
Disposals	**1.06**	**19.03**	**20.09**
as at 31.12.2010			
Carrying values			
as at 1.1.2010	108.22	28.93	137.15
as at 31.12.2010	**103.78**	**25.00**	**128.78**
Acquisition costs	104.84	44.03	148.87
as at 1.1.2011	4.00	6.28	10.28
Additions from changes in the scope of consolidation	-8.11	-10.33	-18.44
Disposals from changes in the scope of consolidation	0.00	0.62	0.62
Additions	0.00	-0.34	-0.34
Disposals	**100.73**	**40.26**	**140.99**
as at 31.12.2011			
Depreciation			
as at 1.1.2011	1.06	19.03	20.09
Additions from changes in the scope of consolidation	0.00	0.52	0.52
Disposals from changes in the scope of consolidation	-1.06	-3.96	-5.02
Additions	0.00	4.55	4.55
Disposals	0.00	-0.34	-0.34
as at 31.12.2011	**0.00**	**19.80**	**19.80**
Carrying values			
as at 1.1.2011	103.78	25.00	128.78
as at 31.12.2011	**100.73**	**20.46**	**121.19**

The goodwill reported in the consolidated financial statements consists of residual carrying amounts of goodwill from the initial consolidation of subsidiaries totalling EUR 93.46 million (previous year: EUR 96.16 million), as well as the goodwill taken over from the individual financial statements totalling EUR 7.27 million (previous year: EUR 7.62 million).

Additions primarily relate to goodwill from the change in the scope of consolidations mentioned in Note 5 (EUR 4.68 million). Reductions resulted from the deconsolidation of SES-Umwelt-Technik GmbH (EUR 0.34 million) and the raw materials trading segment (EUR 7.77 million).

As at the balance sheet date the carrying value of goodwill breaks down into the following segments:

	2011 EUR million	2010 EUR million
Steel and Metals Recycling	99.41	95.77
Services	1.32	1.32
Raw Materials Trading	-	6.69
	100.73	103.78

The services and steel and metals recycling segments have also been identified as cash generating units.

Customer relationships and export licences that are amortised over a useful life of from ten to twenty years are shown on the balance sheet date in the amount of EUR 17.41 million (previous year: EUR 21.11 million).

No intangible assets (previous year: residual carrying value of EUR 0.12 million) to be capitalised under finance leases are included. These have been disposed of as part of the sale of the raw materials trading segment.

The other amounts relate to software and licences that are depreciated over three to five years.

No extraordinary write-offs against intangible assets were recorded in the previous financial year (previous year: EUR 1.06 million).

A sensitivity analysis was conducted in addition to the impairment test. If the capitalisation interest rates had each been increased by 0.50 percentage points (previous year: 0.88 percentage points), no additional write-off of goodwill would have been necessary for any of the cash generating units.

19. Property, plant and equipment

	Land and buildings EUR million	Technical equipment and machinery EUR million	Fittings and equipment EUR million	Construction in progress EUR million	Total EUR million
Acquisition /Production costs					
as at 1.1.2010	109.60	129.08	67.43	2.21	308.32
Currency conversion	0.07	0.13	0.03	0.00	0.23
Additions/Disposals from changes in the scope of consolidation	-15.82	-14.49	-4.37	0.15	-34.53
Additions	1.86	8.66	4.29	2.29	17.10
Disposals	-1.48	-8.67	-5.01	0.00	-15.16
Reclassifications	1.32	0.49	0.06	-1.87	0.00
as at 31.12.2010	**95.55**	**115.20**	**62.43**	**2.78**	**275.96**
Depreciation					
as at 1.1.2010	47.39	99.17	52.89	0.43	199.88
Currency conversion	0.00	0.00	0.00	0.00	0.00
Additions/Disposals from changes in the scope of consolidation	-5.47	-11.73	-5.74	0.00	-22.94
Additions	5.44	7.35	5.84	0.00	18.63
Disposals	-0.81	-6.36	-3.75	0.00	-10.92
Reclassifications	0.00	0.00	0.00	0.00	0.00
as at 31.12.2010	**46.55**	**88.43**	**49.24**	**0.43**	**184.65**
Carrying values					
as at 1.1.2010	62.21	29.91	14.54	1.78	108.44
as at 31.12.2010	**49.00**	**26.77**	**13.19**	**2.35**	**91.31**
Acquisition /Production costs					
as at 1.1.2011	95.55	115.20	62.43	2.78	275.96
Currency conversion	-0.26	-1.19	-0.64	-0.03	-2.12
Additions/Disposals from changes in the scope of consolidation	-4.83	2.13	-0.39	-0.02	-3.11
Additions	1.02	3.33	5.10	4.03	13.48
Disposals	-0.17	-3.81	-2.29	-1.03	-7.30
Reclassifications	1.68	0.94	0.15	-2.77	0.00
as at 31.12.2011	**92.99**	**116.60**	**64.36**	**2.96**	**276.91**
Depreciation					
as at 1.1.2011	46.55	88.43	49.24	0.43	184.65
Currency conversion	-0.09	-1.01	-0.56	0.00	-1.66
Additions/Disposals from changes in the scope of consolidation	-3.46	1.97	-0.18	0.00	-1.67
Additions	2.86	6.57	5.21	0.00	14.64
Disposals	-0.10	-3.45	-1.91	0.00	-5.46
Reclassifications	0.00	0.00	0.00	0.00	0.00
as at 31.12.2011	**45.76**	**92.51**	**51.80**	**0.43**	**190.50**
Carrying values					
as at 1.1.2011	49.00	26.77	13.19	2.35	91.31
as at 31.12.2011	**47.23**	**24.09**	**12.56**	**2.53**	**86.41**

Property, plant and equipment includes assets in the amount of EUR 7.59 million (previous year: EUR 8.16 million) under rental or lease contracts which should be classified as finance lease agreements based on IFRS criteria and are therefore to be entered in the balance sheet of their economic owner. Reference is made to Note 31 regarding the corresponding liabilities.

These assets generally involve technical equipment and machinery, as well as other facilities, fittings and equipment with carrying amounts of EUR 6.94 million and EUR 0.65 million, respectively (previous year: EUR 7.50 million and EUR 0.65 million, respectively).

No additions have resulted from initial consolidations in the year under review to leased and capitalised asset objects of property, plant and equipment and other additions of EUR 1.10 million (previous year: EUR 0.04 million and EUR 6.72 million each), as well as depreciation in the amount of EUR 1.37 million (previous year: EUR 1.11 million), have been recorded.

No extraordinary write-offs against property, plant and equipment were recorded in the fiscal year just elapsed (previous year: EUR 2.02 million).

Asset items in property, plant and equipment – land and buildings, as well as vehicles and machinery assigned as collateral – with a total residual carrying value of EUR 24.36 million (previous year: EUR 28.48 million) serve as security for liabilities valued at a total of EUR 72.56 million (previous year: EUR 83.24 million) on the balance sheet date.

The respective companies in the Group (owners) have created a collective land charge without mortgage deed in favour of WestLB AG (creditor), Dusseldorf, in the amount of EUR 120.00 million including various plots of land (pledged property) in connection with the collateral package for the syndicated loan facility.

20. Financial assets accounted for under the equity method

The following holdings are valued using the ‘equity method’ in Interseroh’s consolidated financial statements:

		Shareholding		Carrying value	
	Country	31.12.2011 %	31.12.2010 %	31.12.2011 EUR million	31.12.2010 EUR million
fm Beteiligungsgesellschaft mbH (sub-group)	Germany	---	49	---	2.84
Ziems Recycling GmbH	Germany	25	25	2.14	2.09
TOM II Sp. z o.o.	Poland	50	50	2.31	2.38
ISR Interseroh Italia S.r.l.	Italy	---	50	---	0.05
The ProTrade Group LLC (sub-group)	US	25	25	3.29	3.44
				7.74	10.80

Except for ISR Interseroh Italia S.r.l. (raw materials trading segment) all companies accounted for under the equity method belong to the steel and metals recycling segment.

The carrying amounts mentioned include, as part of the first-time consolidation of The ProTrade Group LLC, the hidden reserves of intangible assets and property, plant and equipment totalling EUR 0.08 million (previous year: EUR 1.84 million, including fm Beteiligungsgesellschaft mbH), as well as goodwill from those companies and from Ziems Recycling GmbH totalling EUR 4.32 million (previous year: EUR 4.74 million, including ISR Interseroh Italia S.r.l).

Summary of financial information on the holdings recognised at equity on the closing date (related respectively to 100%):

	Total assets EUR million	Equity capital EUR million	Sales revenues EUR million	Net earnings for the period EUR million
2011				
Ziems Recycling GmbH	11.30	1.75	36.70	0.20
TOM II Sp. z o.o.	17.71	4.58	32.70	0.41
The ProTrade Group LLC (sub-group)	49.88	-0.99	259.04	-0.71
2010				
fm Beteiligungsgesellschaft mbH (sub-group)	11.22	3.23	27.59	0.54
Ziems Recycling GmbH	11.19	1.70	32.34	0.30
TOM II Sp. z o.o.	10.40	4.76	23.22	1.24
ISR Interseroh Italia S.r.l.	2.20	0.03	12.51	-0.07
The ProTrade Group LLC (sub-group)	42.93	-0.25	196.70	0.26

All figures relate to the annual or sub-group financial statements prepared pursuant to local laws. Where significant deviations from the accounting regulations according to IFRS have been determined, the proportionate earnings and the respective equity have been adjusted accordingly for the purposes of consolidated accounting.

Sales revenues and net income for the year of The ProTrade Group LLC (sub-group) include the consolidated figures of the parent company and four subsidiaries.

The share of earnings that the companies mentioned have contributed to consolidated earnings can be found under Note 14.

21. Financial assets

	2011 EUR million	2010 EUR million
Non-current		
Interests in affiliated companies	0.38	0.23
Other holdings	0.45	0.45
Loans to associated companies	0.00	1.89
Other loans	0.30	0.34
Financial derivatives	0.60	2.76
Other	0.00	1.95
	1.73	**7.62**
Current		
Loans to associated companies	2.01	0.88
Other loans	17.40	0.67
Receivables from asset-backed securities	3.99	3.61
Financial derivatives	1.25	0.79
Other	0.03	0.81
	24.68	**6.76**

Interests in associated companies concern companies that are not included in the consolidated financial statements in spite of the Group holding an interest of more than 50 percent, due to their subordinate significance.

Other holdings relate to holdings in which the Group holds an equity and voting-rights ratio of less than 50 percent. No impairment losses (previous year: EUR 0.03 million) were recorded as at December 31, 2011, for these asset groups as a result of impairment tests.

Short-term loans to associated companies include loans to The ProTrade Group LLC in the amount of EUR 1.93 million (previous year: EUR 1.89 million, reported under long-term loans to associated companies) and EUR 0.08 million to Ziems Recycling GmbH.

Other long-term loans reflect loans to unconsolidated associated companies in the amount of EUR 0.03 million (previous year: EUR 0.34 million) and to employees in the amount of EUR 0.27 million. EUR 17.21 million of other short-term loans relate primarily to receivables from cash pooling with ALBA KG resulting from the sale of the raw materials trading segment.

After taking into consideration the impairment losses effected, carrying amounts of all other financial liabilities shown correspond to their fair market values on the closing date.

Reference is made to Notes 38 and 37 regarding receivables under asset-backed securities and financial derivatives.

22. Income tax assets and liabilities

The following income tax assets and liabilities are shown separately in the consolidated balance sheet:

	2011 EUR million	2010 EUR million
Deferred tax claims	6.25	9.99
Income tax refund claims	2.36	1.21
Deferred tax liabilities	-6.08	-7.35
Income tax liabilities	-7.29	-5.31
Balance	**-4.76**	**-1.46**

Deferred taxes accounted for can be assigned to individual balance sheet items according to their origin as follows:

	Assets Liabilities Deferred taxes 2011 EUR million		Assets Liabilities Deferred taxes 2011 EUR million	
Goodwill	1.74	0.02	2.66	1.03
Other intangible assets	0.04	3.88	0.00	5.24
Property, plant and equipment	0.13	1.76	0.99	4.10
Financial assets	0.35	0.45	0.40	0.39
Inventories	0.32	0.16	0.00	0.82
Provisions for pensions	0.09	0.04	1.30	0.00
Other provisions	0.25	0.11	2.07	0.04
Financial liabilities	2.29	1.54	5.52	1.63
Losses carried forward for tax purposes	2.92	0.00	2.94	0.00
	8.14	7.96	15.89	13.25
Netting	-1.88	-1.88	-5.90	-5.90
	6.25	**6.08**	**9.99**	**7.35**

Deferred tax liabilities are offset against corresponding assets, provided the same tax subject and same tax authority are involved.

Deferred taxes recorded without impacting profit and loss that arise from the measurement of financial derivatives amount to EUR 1.61 million in total (previous year: EUR 0.85 million).

All loss carry-forwards for tax purposes can be used for an unlimited period of time.

Of tax losses carried forward amounting to EUR 8.56 million (previous year: EUR 33.36 million), deferred tax assets totalling EUR 2.08 million (previous year: EUR 5.53 million) were not capitalised. They relate to domestic and foreign companies where realisation of the deferred tax assets cannot be deemed certain from the present perspective.

Current tax refund claims and tax liabilities relate almost exclusively to domestic corporate and municipal trade tax. The consolidated balance sheet does not include any foreign income tax claims (previous year: EUR 0.09 million), but does reflect EUR 5.56 million (previous year: EUR 2.75 million) in foreign tax liabilities.

Changes in deferred taxes in the consolidated balance sheet can be reconciled as follows to deferred taxes in the consolidated income statement:

		2011 EUR million	2010 EUR million	2011 EUR million	2010 EUR million
	Deferred tax claims 01.01.	9.99		13.72	
	Deferred tax liabilities 01.01.	-7.35	2.64	-13.89	-0.17
	Deferred tax claims 31.12.	6.25		9.99	
	Deferred tax liabilities 31.12.	-6.08	0.17	-7.35	2.64
=	Change in balance		-2.47		2.81
+/-	Additions/Disposals from changes in the scope of consolidation		-0.81		-3.69
+/-	Liquidation of deferred taxes due to control and profit transfer agreement		0.47		
+/-	Changes not recognised in income		2.21		1.32
=	Deferred taxexpense (prior year: income)		-0.60		0.44

We refer to explanations regarding tax expenses under Note 15 in this respect.

The deferred tax income reflected in the reconciliation table in the previous year includes tax expense relating to discontinued operations in the amount of EUR 2.57 million.

23. Inventories

	2011 EUR million	2010 EUR million
Raw materials and supplies	2.10	1.78
Work in progress	17.10	11.03
Finished goods	17.22	17.37
Merchandise	91.15	77.39
	127.57	**107.57**

Value adjustments on inventories amounted to EUR 1.34 million (previous year: EUR 1.56 million) in the fiscal year.

Interseroh has assigned inventories by way of collateral for bank liabilities under the syndicated loan, valued at carrying amounts of EUR 32.86 million (previous year: EUR 28.41 million) as at the balance sheet date.

24. Trade receivables

Receivables from	2011 EUR million	2010 EUR million
Third parties	167.07	197.38
Less doubtful accounts	-13.30	-10.42
	153.77	186.96
Affiliated companies	15.88	10.38
Associated companies	2.62	0.37
Holdings	0.03	0.12
	172.30	**197.83**

All trade receivables shown are due within a year. Carrying amounts are equivalent to fair values due to their short-term nature.

Value adjustments on trade receivables amounted to EUR 13.30 million (previous year: EUR 10.42 million) in the fiscal year.

Interseroh has assigned trade receivables by way of collateral for bank liabilities under the syndicated loan, valued at carrying amounts of EUR 140.56 million (previous year: EUR 89.21 million) as at the balance sheet date.

Receivables from production orders are included in trade receivables, as follows:

	2011 EUR million	2010 EUR million
Costs incurred plus accumulated profits	24.17	0.00
minus instalment invoices issued	-22.63	0.00
Total	**1.54**	**0.00**
of which: Receivables from percentage of completion	2.64	0.00
of which: Liabilities related to percentage of completion	-1.10	0.00

25. Other receivables

	2011 EUR million	2010 EUR million
Security deposits	0.42	0.51
Deposit receivables	0.66	2.50
Tax refund claims	1.18	2.93
Sonstige Forderungen gegenüber verb. Unternehmen	5.86	0.73
Creditors on the debit side	6.44	8.56
Advances to suppliers	6.58	7.84
Other	8.82	6.73
	29.96	**29.80**

Deposit receivables reported – corresponding to the deposit liabilities included under other liabilities - are the result of the purchase of disposable packaging with deposits by a variety of customers. In this scenario Interseroh acquires the associated deposit claims from the entity first bringing the disposable packaging into circulation and owes the seller of the packaging the deposit monies received. The decline in these receivables and the corresponding liabilities is due to the fact that a major customer is now undertaking the deposit clearing function in-house.

The amounts named contain the following sums that can only be realised after a year has elapsed:

	2011 EUR million	2010 EUR million
Security deposits	0.16	0.14
Advances to suppliers	0.66	0.84
Other	0.31	0.10
	1.13	**1.08**

26. Cash and cash equivalents

	2011 EUR million	2010 EUR million
Deposits with banks	73.96	63.81
Cash on hands	0.92	1.06
	74.88	**64.87**

In addition to the collateralisation of liabilities under the Asset Backed Securities Programme presented in Note 38, accounts were pledged in full as collateral for banks.

27. Subscribed capital

INTERSEROH SE's fully paid-up subscribed capital remained at EUR 25.58 million as at the balance sheet date. The capital stock is divided into 9,840,000 shares at no par value (also unchanged) with an arithmetic share in capital stock of EUR 2.60 each.

A share entitles its holder to participate in the company's annual General Shareholders' Meeting and to receive a dividend.

A dividend of EUR 0.25 was paid per share for fiscal 2010 (EUR 2.46 million in all).

As part of the control and profit transfer agreement an equalisation payment of EUR 3.94 per share was established for external shareholders.

28. Reserves

	2011 EUR million	2010 EUR million
Capital reserve	38.61	38.61
Consolidated earnings	134.75	136.66
Other non-cash transactions	-17.74	-16.13
Adjustment items from currency conversion	-2.26	-0.44
	153.36	**158.70**

The capital reserve contains the premium received on issuing shares. This reserve is subject to certain restrictions on disposal contained in the German Companies Act. In accordance with IFRS 1, upon transition to IFRS/IAS accounting the net asset differences in previous years from the initial consolidation of subsidiaries were included in the capital reserve (EUR 36.69 million).

INTERSEROH Scrap and Metals Holding GmbH has acquired the remaining 40 percent share in Europe Metals B.V., at a price of EUR 10.81 million effective January 1, 2011. Of this amount EUR 6.28 million went to settle minority interests in equity. The remaining amount of EUR 4.53 million was offset against consolidated earnings.

Other non-cash transactions primarily reflect differences on the asset side of the balance sheet from the initial consolidation of subsidiaries, which were offset against retained earnings during the time prior to the transition to IFRS.

The adjustment items from the currency conversion resulted from the annual financial statements produced in foreign currency for the fully consolidated companies, TOM Sp. z o.o. (Poland) and INTERSEROH USA Inc., as well as the holdings held at-equity TOM II Sp. z o.o. (Poland) and The ProTrade Group LLC (sub-group, USA).

In addition to the adjustment item from currency conversion, an amount of EUR 1.61 million (previous year: EUR 0.73 million) was transferred to reserves without impacting income from the valuation of financial derivatives (cash flow hedges) taking into account deferred taxes. These sums relate exclusively to the steel and metals recycling segment.

29. Payments to employees under pension commitments

Existing obligations were calculated using the following parameters:

	31.12.2011	31.12.2010
Interest rate for accounting purposes	4.60%	4.85%
Salary trend	2.50%	2.50%
Pension adjustment	2.00%	2.00%
Interest rate for accounting Increase in contribution assessment ceiling for statutory pension insurance	2.50%	2.50%
Expected return from plan assets	5.50%	5.50%

The "pension adjustment" parameter is determined based on expected future inflation.

The parameters for mortality, morbidity and marriage probability are based on the "Reference Tables 2005 G" of Dr. Klaus Heubeck. The earliest possible age for receiving retirement benefits from the statutory pension scheme according to German law was used as retirement age.

The following fluctuation probabilities depending on age and gender were applied:

Change rate per year	31.12.2011		31.12.2010	
Age to	Men	Women	Men	Women
25	6.0%	8.0%	6.0%	8.0%
30	5.0%	7.0%	5.0%	7.0%
35	4.0%	5.0%	4.0%	5.0%
45	2.5%	2.5%	2.5%	2.5%
50	1.0%	1.0%	1.0%	1.0%
over 50	0.0%	0.0%	0.0%	0.0%

Net liabilities developed as follows:

	Funded plan EUR million	Unfunded plan EUR million	Total EUR million
as at 01.01.2010	-0.12	21.26	21.14
Periodic net costs from pension commitments (fixed benefit plan)	0.29	1.24	1.53
Employer contributions to plan assets	-0.28	0.00	-0.28
Additions/reductions/transfers	0.00	-0.03	-0.03
Pension payments made	0.00	-1.31	-1.31
as at 31.12.2010	**-0.11**	**21.16**	**21.05**
as at 01.01.2011	-0.11	21.16	21.05
Periodic net costs from pension commitments (fixed benefit plan)	0.19	1.23	1.42
Employer contributions to plan assets	-0.16	0.00	-0.16
Additions/reductions/transfers	-0.06	0.63	0.57
Pension payments made	0.00	-1.35	-1.35
as at 31.12.2011	**-0.14**	**21.67**	**21.53**

The present value of pension entitlements has changed as follows:

	Funded plan EUR million	Unfunded plan EUR million	Total EUR million
as at 01.01.2010	1.52	21.97	23.49
Current service cost	0.04	0.13	0.17
Interest expenses	0.08	1.10	1.18
Actuarial loss	0.68	0.83	1.51
Additions/reductions/transfers	0.00	-0.03	-0.03
Pension payments made	-0.04	-1.31	-1.35
as at 31.12.2010	**2.28**	**22.69**	**24.97**
as at 01.01.2011	2.28	22.69	24.97
Current service cost	0.16	0.13	0.29
Interest expenses	0.13	1.06	1.19
Actuarial loss	-0.08	0.28	0.20
Additions/reductions/transfers	-0.06	0.63	0.57
Pension payments made	-0.04	-1.35	-1.39
as at 31.12.2011	**2.39**	**23.44**	**25.83**

Payments anticipated for 2011 amount to EUR 2.12 million (previous year: EUR 1.70 million) and are recorded under current provisions.

Pension costs are made up as follows:

	Funded plan EUR million	Unfunded plan EUR million	Total EUR million
2010			
Interest expenses	0.08	1.10	1.18
Expected income from plan assets	-0.11	0.00	-0.11
Current service cost	0.04	0.13	0.17
Adjustment of actuarial net (gain)/loss	0.63	0.01	0.64
Immediate adjustment due to maximum ceiling	-0.35	0.00	-0.35
Periodic net costs from pension commitments - fixed benefit plan	**0.29**	**1.24**	**1.53**
2011			
Interest expenses	0.13	1.06	1.19
Expected income from plan assets	-0.13	0.00	-0.13
Current service cost	0.16	0.13	0.29
Adjustment of actuarial net (gain)/loss	0.02	0.03	0.05
Immediate adjustment due to maximum ceiling	0.01	0.00	0.01
Periodic net costs from pension commitments - fixed benefit plan	**0.19**	**1.22**	**1.41**

Interest expenses are shown under financial expenses, while the remaining expenses are shown under personnel expenses.

The market value of plan assets has developed as follows:

	Funded plan EUR million	Unfunded plan EUR million	Total EUR million
as at 01.01.2010	1.76	0.00	1.76
Actual income from plan assets			
a. Expected income from plan assets	0.11	0.00	0.11
b. Actuarial gains and losses	0.02	0.00	0.02
Employer contributions	0.28	0.00	0.28
Pension payments made	-0.04	0.00	-0.04
as at 31.12.2010	**2.13**	**0.00**	**2.13**
as at 01.01.2011	2.13	0.00	2.13
Actual income from plan assets			
a. Expected income from plan assets	0.12	0.00	0.12
b. Actuarial gains and losses	-0.07	0.00	-0.07
Employer contributions	0.16	0.00	0.16
Pension payments made	-0.04	0.00	-0.04
as at 31.12.2011	**2.30**	**0.00**	**2.30**

The plan assets are comprised of reinsurance policies with various life insurance companies. The income from these reinsurance policies is calculated from the fixed guaranteed interest (depending on the policy between 2.75% and 3.75%) and the variable profit share to be set annually by the insurance company that results from risk or cost gains and the profit from the insurance policies on which the capital investment is based. The 5.50 percentage represents an average long-term expectation of these total assets.

The net present value of the defined benefit liability and the fair value of the plan assets can be reconciled to the debts shown in the balance sheet as follows:

	Funded plan EUR million	Unfunded plan EUR million	Total EUR million
Cash value of performance-oriented liability to 31.12.2010	2.28	22.69	24.97
Fair market value of the plan assets as at 31.12.2010	2.13	0.00	2.13
	-0.15	-22.69	-22.84
Actuarial (gain)/loss not recorded as at 31.12.2010	0.26	1.53	1.79
as at 31.12.2010	0.11	21.16	-21.05
Cash value of performance-oriented liability to 31.12.2011	2.39	23.44	25.83
Fair market value of the plan assets as at 31.12.2011	2.30	0.00	2.30
	-0.09	-23.44	-23.53
Actuarial (gain)/loss not recorded as at 31.12.2011	0.23	1.78	2.01
as at 31.12.2011	**0.14**	**-21.66**	**-21.52**

The total sums of the net present value or the market value of plan assets has developed as follows:

	Net present value EUR million	Market value of plan assets EUR million	Shortfall EUR million
31.12.2006	24.83	1.34	23.49
31.12.2007	22.16	1.48	20.68
31.12.2008	22.17	1.44	20.73
31.12.2009	23.49	1.76	21.73
31.12.2010	24.97	2.13	22.84
31.12.2011	25.83	2.30	23.53

The development of actuarial gains and losses is reflected in the table below:

	Funded plan EUR million	Unfunded plan EUR million	Total EUR million
Actuarial (gain)/loss not recorded as at 01.01.2010	0.23	0.71	0.94
Actuarial (gain)/loss in the period			
a. Net present value	0.68	0.83	1.51
b. Plan assets	-0.02	0.00	-0.02
Expense recorded immediately due to upper valuation limit	-0.63	0.00	-0.63
Offset according to plan from actuarial net gain/(loss)	0.00	-0.01	-0.01
Actuarial (gain)/loss not recorded as at 31.12.2010	**0.26**	**1.53**	**1.79**
Actuarial (gain)/loss not recorded as at 01.01.2011	0.26	1.53	1.79
Actuarial (gain)/loss in the period			
a. Net present value	-0.08	0.28	0.20
b. Plan assets	0.07	0.00	0.07
Expense recorded immediately due to upper valuation limit	0.00	0.00	0.00
Offset according to plan from actuarial net gain/(loss)	-0.02	-0.03	-0.05
Actuarial (gain)/loss not recorded as at 31.12.2011	**0.23**	**1.78**	**2.01**

30. Provisions

	Balance	Change in scope of consolidation	Utilisation	Liquidation	Transfer	Accrued interest	Exchange rate differences	Balance
	01.01.2011							31.12.2011
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Lawsuits	0.76	0.03	0.08	0.54	0.25	0.00	0.00	0.42
Obligation to return property to orig. condition	3.02	0.01	0.00	0.02	0.11	0.03	-0.01	3.14
Pending transactions	3.22	0.00	3.22	0.00	5.53	0.00	0.00	5.53
Anniversary obligations	0.46	0.00	0.04	0.00	0.09	0.02	0.00	0.53
Other	4.94	0.00	2.00	1.09	3.73	0.00	-0.03	5.55
	12.40	**0.04**	**5.34**	**1.65**	**9.71**	**0.05**	**-0.04**	**15.17**

	Balance	Change in scope of consolidation	Utilisation	Liquidation	Transfer	Accrued interest	Exchange rate differences	Balance
	01.01.2010							31.12.2010
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Lawsuits	2.12	-0.66	0.32	1.00	0.62	0.00	0.00	0.76
Obligation to return property to orig. condition	2.72	0.03	0.00	0.10	0.36	0.01	0.00	3.02
Pending transactions	8.39	0.00	6.85	0.59	2.27	0.00	0.00	3.22
Anniversary obligations	0.48	0.00	0.04	0.01	0.03	0.00	0.00	0.46
Other	4.35	0.28	0.68	1.64	2.63	0.00	0.00	4.94
	18.06	-0.35	7.89	3.34	5.91	0.01	0.00	12.40

Of the amounts shown, the following are due within a year:

	Balance 31.12.2011 EUR million	**Balance 31.12.2010 EUR million**
Pending transactions	5.07	2.95
Lawsuits	0.42	0.74
Other	4.09	3.44
	9.58	**7.13**

The current share of provisions for pensions (prospective pension payments in the upcoming fiscal year) is reported in the balance sheet under current provisions at EUR 2.12 million (previous year: EUR 1.70 million), so that the total amount of the balance sheet item “Provisions” in current liabilities amounts to EUR 11.70 million (previous year: EUR 8.83 million).

Provisions for current lawsuits are created, provided their risks can be reasonably estimated. These provisions are determined on the basis of notifications and cost estimates by the lawyers appointed to represent the company and cover all estimated fees and legal expenses for these lawsuits and possible settlement costs.

Obligations to return property to its original condition correspond to the discounted amount for restoration to original condition of rented or leased property at the end of the rent or lease agreements. Anticipated costs, provided they are not due in 2012 or further extensions to the existing agreements have not been agreed, will become due between January 1, 2013 and December 31, 2023. Due to the passage of time, the discounted amount of the provisions rose by EUR 0.03 million (previous year: EUR 0.01 million) as at the balance sheet date.

The provisions for anticipated losses from pending transactions relate to the services segment. Operating losses, calculated based on full costs, for the minimum lease not subject to termination are provided for in line with the term of the underlying contracts.

31. Financial liabilities

Liabilities (to/from)	as at 31.12.2011 Total EUR million	of which with a remaining term of up to 1 years EUR million	over 1 year, up to 5 years EUR million	over 5 years EUR million
Banks	84.50	23.88	60.09	0.53
Asset-backed securities	26.16	26.16	0.00	0.00
Derivatives	7.11	5.48	0.00	1.63
Finance leases	8.99	2.42	4.59	1.98
Other	12.04	9.54	2.50	0.00
	138.80	**67.48**	**67.18**	**4.14**

Liabilities (to/from)	as at 31.12.2010 Total EUR million	of which with a remaining term of up to 1 years EUR million	over 1 year, up to 5 years EUR million	over 5 years EUR million
Banks	97.10	12.42	83.16	1.52
Asset-backed securities	32.02	32.02	0.00	0.00
Derivatives	7.19	3.38	3.81	0.00
Finance leases	8.01	1.83	3.51	2.67
Other	5.51	5.44	0.07	0.00
	149.83	**55.09**	**90.55**	**4.19**

Liabilities to banks that are secured by Interseroh collateral amounted to EUR 73.53 million as at the balance sheet date (previous year: EUR 92.28 million); of this amount EUR 72.56 million (previous year: EUR 82.75 million) is secured by land charges. The fixed interest rates for medium and long-term liabilities range between 3.35 percent and 5.22 percent. Terms end between September 30, 2012, and November 30, 2016 or have no maturity date.

Collateral in the form of cession of receivables, assignment of current assets as securities, property charges, pledging of business shares and pledging of accounts in full was used for banks.

Secured loan liabilities related to foreign subsidiaries amount to EUR 0.05 million (previous year: EUR 9.04 million).

As a consequence of the profit and loss pooling agreement between ALBA KG and INTERSEROH SE the Interseroh syndicated loan agreement in the amount of EUR 130 million was absorbed in the syndicated loan agreement of ALBA KG as at July 25, 2011, which in turn has been reduced due to cash inflows from the issue of an ALBA bond.

The existing loan of the Interseroh Group for refinancing existing liabilities in the amount of EUR 80 million was transferred to the ALBA loan agreement facilities when Interseroh joined in the ALBA Group syndicated loan agreement. Financing of general business activities by means of drawing down credit facilities under the ALBA loan agreement is possible up to at least the same level as was previously possible under the Interseroh syndicated loan agreement. During the year under review EUR 10.00 million of this loan was repaid.

The securities and guarantees offered by Interseroh were incorporated in the agreement at the ALBA Group level. Interest is charged at the EURIBOR rate plus a margin. The interest rate risk for refinancing existing liabilities is hedged with the appropriate hedging instruments (interest rate swaps and interest rate caps).

EUR 10.00 million in bank liabilities was repaid in fiscal 2011. Trade payables have dropped from EUR 97.10 million to EUR 84.50 million (EUR -12.60 million).

Liabilities under asset-backed securities relate to payments from receivables debtors received between the time of the sale of the receivable and the balance sheet date as part of the service function. They are recorded as liabilities to the single-purpose company registered in the Republic of Ireland under current financial debts at nominal value (refer to Note 38).

Liabilities under finance leases are reflected as liabilities, provided the leased assets have been accounted for under property, plant and equipment as economic property of the group (finance leasing).

The minimum lease instalment payments under finance leases can be reconciled to the discounted net value of the liabilities according to maturity date as follows:

	future minimum lease payments		Interests		Net present value (liabilities related to Finance leases)	
	2011 EUR million	2010 EUR million	2011 EUR million	2010 EUR million	2011 EUR million	2010 EUR million
within a year	2.85	2.23	0.43	0.40	2.42	1.83
between 1 and 5 years	5.54	4.54	0.95	1.03	4.59	3.51
in over five years	2.13	2.97	0.15	0.30	1.98	2.67
	10.52	9.74	1.53	1.73	8.99	8.01

Finance lease contracts are usually concluded for a basic term of between two and six years. The majority of the contracts provide for various short-term extensions and/or purchase options at the end of the basic term. One lease agreement, to be viewed as a finance lease due to its structure, has a term of ten years, combined with an extension option every five years starting at the end of the first term, if notice of termination is not given. In the event that these options are deemed favourable, the corresponding amounts have been incorporated in the calculation of the present values.

Carrying amounts reported for all financial liabilities reflect their fair market value.

32. Trade liabilities

Liabilities to	2011 EUR million	2010 EUR million
Third parties	202.65	209.10
Affiliated companies	6.75	6.84
Associated companies	0.01	0.11
Holdings	0.24	0.01
	209.65	**216.06**

Except for liabilities vis-à-vis third parties in the amount of EUR 0.37 million (previous year: EUR 0.09 million), all trade liabilities are due within a year.

EUR 1.10 million of liabilities from production orders are included in liabilities vis-à-vis third parties, of which EUR 0.30 million is long term.

Liabilities to third parties reflect liabilities from outstanding invoices based on services already received but not yet invoiced at EUR 81.04 million (previous year: EUR 90.01 million) and liabilities in connection with concluded contracts that basically involve repayment obligations to manufacturers and waste disposal obligations at EUR 17.33 million (previous year: EUR 15.15 million).

Obligations for outstanding invoices from waste disposal and trading companies for the performance of transport, sorting and disposal services, which partners perform as sub-contractors, are recorded in the services segment in particular. Since the system is such that payment for the service can only be effected several months after the service providers have submitted proof of performance, the financial statements contain a high degree of anticipatory indicators and estimates based on historical data.

According to the Packaging Ordinance, manufacturers who put packaging material ‘in circulation’ upon delivery of their goods assume an obligation for the return of this material. Interseroh takes on the services arising from this obligation and during the year issues manufacturers with interim invoices based on the volumes planned or reported by the manufacturers. Volumes actually put into circulation on which the final settlement is based are to be reported and evidenced in the form of certificates issued by auditors. The majority of certificates provided by the auditors are only submitted in the following year after the financial statements have been prepared.

Since differences occur on a regular basis between certified volumes or year-end reported volumes and the budgeted volumes forecast and reported by the customer during the year, a review must be conducted as at the balance sheet date to verify if obligations for repayment exist due to differences in volume. This review is based on the reports already received at the time the financial statements are prepared, experience from previous years and external industry information for the relevant markets.

During the following year, reversals can occur, if actual quantities exceed the volume anticipated at the balance sheet date.

In addition for the Dual System Interseroh (DSI) segment an amount of EUR 47.50 million (previous year: EUR 54.15 million) was recorded under trade payables for outstanding invoices from waste disposal companies. This reflects the alterations resulting from the 5th amendment of the Packaging Ordinance, as well as the corresponding risks and obligations. The provision was calculated based on trends observable in the market.

33. Other liabilities

Liabilities (to/from)	as at 31.12.2011 Total EUR million	of which with a remaining term of: up to 1 years EUR million	over 1 year, up to 5 years EUR million	over 5 years EUR million
Deposit liabilities	1.12	1.12	0.00	0.00
Advance payment received	4.74	4.74	0.00	0.00
Employees	13.13	13.13	0.00	0.00
Minority shareholders	0.00	0.00	0.00	0.00
Credit receivables	6.23	6.23	0.00	0.00
Other taxes	3.03	3.03	0.00	0.00
Incidental personnel costs	1.00	1.00	0.00	0.00
Profit transfer	30.11	30.11	0.00	0.00
Other	12.15	12.15	0.00	0.00
	71.51	**71.51**	**0.00**	**0.00**

Liabilities (to/from)	as at 31.12.2010 Total EUR million	of which with a remaining term of: up to 1 years EUR million	over 1 year, up to 5 years EUR million	over 5 years EUR million
Deposit liabilities	2.74	2.74	0.00	0.00
Advance payment received	8.66	8.66	0.00	0.00
Employees	12.37	12.37	0.00	0.00
Minority shareholders	0.29	0.19	0.10	0.00
Credit receivables	4.75	4.75	0.00	0.00
Other taxes	6.02	6.02	0.00	0.00
Incidental personnel costs	1.08	1.08	0.00	0.00
Other	12.36	12.24	0.12	0.00
	48.27	**48.05**	**0.22**	**0.00**

These liabilities are accounted for at their amortised acquisition cost, unless stated otherwise.

The explanations on the relevant receivables in Note 25 should be referred to in connection with deposit liabilities.

Liabilities under other taxes contain, in addition to the amounts for which the Group companies are tax debtors, also such taxes that are remitted for the account of third parties.

Liabilities to employees include bonuses and accrued vacation and overtime.

Incidental personnel costs encompass amounts to be transferred for social security and employers' liability insurance.

The profit transfer in the amount of EUR 30.11 million (previous year: EUR 0.00 million) relates exclusively to the profit transfer to ALBA KG.

34. Explanations regarding the cash flow statement

Pursuant to IAS 7 (Cash Flow Statement), the cash flow statement prepared by the indirect method shows how the cash in the group changed in the course of the year under review as a result of the inflow and outflow of funds.

The cash flow statement differentiates between cash flows from operating activity, investment activity and financing activity. The cash balance comprises cheques, cash on hand and deposits with banks with a remaining term of less than three months.

Apart from income tax payments, interest earnings and payments are also allocated to cash flow from operating activity, because they in the first instance serve to finance current operating activity. Dividend receipts are also included in cash flow from operating activity. They represent dividend payments by associated companies accounted for according to the equity method.

Consolidated earnings increased by 10 percentage points (EUR 3.08 million) compared to the previous year. This effect, together with lower interest payments (EUR 7.04 million compared to EUR 14.62 million in the previous year) are the main reasons for the increase in cash flow from operating activities of EUR 9.94 million over the previous year.

Cash flow from investment activities shows an outflow of funds totalling EUR 2.72 million (previous year: EUR 15.09 million) in the year under review. On the one hand there were cash inflows for the Interseroh Group from cash receipts due to the sale of shares in companies after deducting the cash balances of EUR 8.79 million transferred at sale; on the other hand investment in property, plant and equipment led to cash outflows in the amount of EUR 13.27 million. Outgoing payments for corporate acquisitions reflect the amounts mentioned in Note 5 regarding expansions of the scope of consolidation. Cash received from the acquisition of companies amounts to EUR 5.38 million.

Cash flow from financing activity shows an outflow of funds totalling EUR 23.06 million (previous year: EUR 65.11 million) in the year under review. Outflows stem to a major extent from the repayment of financial liabilities (in particular from the partial reduction of the syndicated loan taken out; refer to Note 31). Net borrowing from financial debt amounted to EUR 12.54 million (previous year: EUR 64.03 million). Furthermore, EUR 8.00 million were used to acquire minority shares in a subsidiary; according to IFRS the transaction should be allocated to cash flow from financing activity.

During the year under review cash and cash equivalents rose by EUR 10.01 million (previous year: EUR -24.17 million).

35. Segment reporting

The companies of the Interseroh Group are divided into two segments after the sale of the raw materials trading segment; all companies that undertake steel and metals recycling are allocated to the segment of the same name. INTERSEROH SE is assigned fully to the services segment.

The segments performed as follows over the past fiscal year:

	Steel and metals recycling		Services		Cross-segment consolidations		Continuing business	
	2011	2010	2011	2010	2011	2010	2011	2010
	EUR million		EUR million		EUR million		EUR million	
Sales revenues								
External sales	1,743.26	1,384.19	467.41	447.99	0.00	0.00	2,210.67	1,832.18
Sales between the segments	0.28	0.26	11.34	4.91	-11.62	-5.17	0.00	0.00
	1,743.54	1,384.45	478.75	452.90	-11.62	-5.17	2,210.67	1,832.18

	Steel and metals recycling		Services		Crosssegment consolidations		Continuing business	
	2011	2010	2011	2010	2011	2010	2011	2010
	EUR million		EUR million		EUR million		EUR million	
Segment earnings	33.98	35.53	22.12	22.67	-0.12	-0.03	55.98	58.17
Shares in profit of associated companies accounted for under the at-equity method contained therein	0.10	0.08	0.00	0.00	0.00	0.00	0.10	0.08
Segment EBIT	33.88	35.45	22.12	22.67	-0.12	-0.03	55.88	58.09
included non-cash contributions:								
- Depreciations on tangible assets B33and property, plant and equipment								
scheduled	13.91	13.03	3.82	4.68	0.00	0.00	17.73	17.71
extraordinary	0.00	0.09	0.00	0.00	0.00	0.00	0.00	0.09
- Transfer to provisions	1.22	1.55	8.49	4.30	0.00	0.00	9.71	5.91
- Liquidation of liabilities and provisions	2.49	1.95	28.70	12.93	0.00	0.00	31.19	14.88
- Transfers to bad debt allowances	0.95	5.07	5.40	5.13	0.00	0.00	6.35	10.20
- Impairment losses	0.72	1.09	1.02	0.62	0.00	-0.42	1.74	8.86
Reconciliation:								
Segment earnings							55.98	58.17
+ Financial income							3.84	2.92
of which interest income	2.62	1.64	6.63	3.16	-5.68	-2.75	3.57	2.05
- Financial expenses							-19.38	-19.07
of which interest expense	-19.94	-17.71	-6.15	-4.80	6.81	3.48	-19.28	-19.03
- Tax expenses							-6.74	-12.15
Consolidated income from continuing business							33.70	29.87
Segment assets	460.00	431.75	174.75	177.31	-14.69	-9.57	620.06	599.49
including:								
- Interests in associated companies	7.74	10.75	0.00	0.00	0.00	0.00	7,74	10.75
Reconciliation:								
Segment assets							620.06	599.49
+ Long-term financial assets							1.73	7.62
+ Deferred tax claims							6.25	9.99
+ Current financial assets							24.68	6.76
+ Income tax refund claims							2.36	1.21
+ Segment assets from segment disposed of							-	31.48
Consolidated assets according to the balance sheet							655.08	656.55
Segment liabilities	162.98	142.02	182.21	176.61	-27.32	-22.34	317.87	296.29
Reconciliation:								
+ Deferred tax liabilities								
+ Non-current financial liabilities							6.08	7.35
+ Income tax liabilities							71.33	94.74
+ Current financial liabilities							7.29	5.16
+ Segment liabilities from segment disposed of							67.47	55.09
Consolidated liabilities according to the balance sheet							-	1.65
							470.04	460.28
Investments in long-term assets (property, plants and equipment and intangible assets)	11.92	9.39	1.53	9.02	0.00	0.00	13.45	18.41

The table below shows the geographic breakdown of the segments:

		Steel and metals recycling 2011	2010	Services 2011	2010
		EUR million		EUR million	
	Germany				
a)	Sales	954.99	738.75	429.47	417.10
b)	Assets	174.02	173.40	15.50	19.43
	Other EU countries				
a)	Sales	335.03	313.71	34.40	12.47
b)	Assets	8.47	8.68	0.30	0.24
	Non-EU countries				
a)	Sales	453.24	331.73	3.54	18.42
b)	Assets	4.28	0.02	0.00	0.00

Sales revenues are allocated to the regions according to the customer's registered headquarters and assets according to their location.

Transfer prices for internal group sales revenues are determined based on market conditions (arm's length principle).

36. Contingent liabilities, operating leases and other financial obligations

(a) Contingent liability under joint and several liability for guarantees and cash advances

The Group has obligations totalling EUR 4.35 million (previous year: EUR 8.81 million) from sureties and guarantee agreements and provision of collateral for non-group liabilities.

Banks were provided with collateral in the form of pledging of accounts, land charges, cession of receivables and pledging of business shares. Furthermore, a contingent liability for joint and several liabilities exist in connection with the syndicated loan agreement of the ALBA Group plc & Co. KG for the companies covered by the syndicated loan agreement.

(b) Operating leases

Apart from the financial debts already described as finance (refer to Note 31), the Group has also entered into rental and leasing contracts (land, office premises and buildings, as well as fittings and equipment, e.g. vehicles and office machines), which qualify as operating leases according to their economic content. Extension and purchase options customary to the industry are contained in the underlying agreements. In the past year rental and lease payments of EUR 13.26 million (previous year: EUR 13.13 million) were made under these agreements.

The lease instalments from the operating lease agreements existing on the balance sheet date will fall due in subsequent years as follows:

	2011 EUR million	2010 EUR million
within a year	12.26	13.46
between 1 and 5 years	30.06	30.88
in over five years	10.01	13.66
	52.33	**58.00**

(c) Other financial obligations

Maturities of other financial obligations, including open purchase orders and maintenance contracts, are shown below:

	2011 EUR million	2010 EUR million
within a year	3.84	3.40
between 1 and 5 years	4.69	4.26
in over five years	0.60	1.11
	9.13	**8.77**

37. Financial instruments

The following financial instruments are reported in the consolidated financial statements:

31.12.2011	Total		Amortised acquisition cost		Fair Value	
	Carrying value	Fair Value	Carrying value	Fair Value	Carrying value	Fair Value
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Assets						
Loans and receivables						
Cash and cash equivalents	74.88	74.88	74.88	74.88		
Trade receivables	172.30	172.30	172.30	172.30		
Other original financial assets	31.40	31.40	31.40	31.40		
	278.58	278.58	278.58	278.58		
Available for sale						
Holdings	0.83	0.83	0.83	0.83		
	0.83	0.83	0.83	0.83		
Held for trading						
Interest rate hedging transactions	0.34	0.34			0.34	0.34
	0.34	0.34			0.34	0.34
Derivatives						
associated with hedging	1.51	1.51			1.51	1.51
	281.26	**281.26**	**279.41**	**279.41**	**1.85**	**1.85**
Liabilities						
Liabilities						
Trade liabilities	209.66	209.66	209.66	209.66		
Liabilities to banks	84.50	84.50	84.50	84.50		
Liabilities under finance leases	8.99	8.99	8.99	8.99		
Other original financial liabilities	46.54	46.54	46.54	46.54		
	349.69	349.69	349.69	349.69		
Held for trading						
Forward exchange transactions	0.39	0.39			0.39	0.39
Interest rate hedging transactions	0.18	0.18			0.18	0.18
	0.57	0.57			0.57	0.57
Derivatives						
associated with hedging	6.54	6.54			6.54	6.54
	356.80	**356.80**	**349.69**	**349.69**	**7.11**	**7.11**

31.12.2010	Total		Amortised acquisition cost		Fair Value	
	Carrying value	Fair Value	Carrying value	Fair Value	Carrying value	Fair Value
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Assets						
Loans and receivables						
Cash and cash equivalents	64.87	64.87	64.87	64.87		
Trade receivables	197.83	197.83	197.83	197.83		
Other original financial assets	20.31	20.31	20.31	20.31		
	283.01	283.01	283.01	283.01		
Available for sale						
Holdings	0.68	0.68	0.68	0.68		
Securities	0.50	0.50	0.50	0.50		
	1.18	1.18	1.18	1.18		
Held for trading						
Commodity future contracts	0.02	0.02			0.02	0.02
	0.02	0.02			0.02	0.02
Derivatives						
associated with hedging	3.54	3.54			3.54	3.54
	287.75	**287.75**	**284.19**	**284.19**	**3.56**	**3.56**
Liabilities						
Liabilities						
Trade liabilities	216.06	216.06	216.06	216.06		
Liabilities to banks	97.09	97.09	97.09	97.09		
Liabilities under finance leases	8.01	8.01	8.01	8.01		
Other original financial liabilities	46.44	46.44	46.44	46.44		
	367.60	367.60	367.60	367.60		
Held for trading						
Commodity future contracts	0.45	0.45			0.45	0.45
Forward exchange transactions	0.01	0.01			0.01	0.01
	0.46	0.46			0.46	0.46
Derivatives						
associated with hedging	6.74	6.74			6.74	6.74
	374.80	**374.80**	**367.60**	**367.60**	**7.20**	**7.20**

The carrying amounts of trade receivables, other original financial assets, cash and cash equivalents, trade payables, other short-term liabilities and liabilities with variable interest rates are equivalent to their fair value.

All financial assets and liabilities measured at fair value are to be assigned to category 2 in the fair value hierarchy in accordance with IFRS 7. This means that fair values are derived from information directly or indirectly observable other than listed market prices (according to an assessment of market conditions).

Credit risk

Credit risks related to trade receivables in the Interseroh Group are essentially transferred to third parties by means of trade credit insurance policies or instruments such as letters of credit or other documents guaranteeing payment. There is an instruction in the Group that transactions may not exceed the insured limit per debtor. Exceptions to this rule are allowed only in justified individual cases and only after prior approval by management or the Board of Directors based on reliable knowledge concerning the debtor's creditworthiness. Compliance with trade credit limits is monitored at regular intervals.

The maximum credit risk with the carrying value as the equivalent of the maximum default risk of financial assets is found in the first column of the table above.

Maturities of financial assets accounted for as 'loans and receivables' – not including cash and cash equivalents – are displayed in the following table:

	Carrying value total	of which: as at the balance sheet date neither impaired nor overdue	of which: as at the balance sheet date not impaired and overdue according to the following stages in time:			
			Less than 10 days	Between 11 and 30 days	Between 31 days and 1 year	More than 1 year
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
31.12.2011						
Trade receivables	172.30	114.01	33.93	12.39	10.74	0.60
Other original financial assets	31.40	24.99	0.39	3.86	1.83	0.33
	203.70	139.00	34.32	16.25	12.57	0.93
31.12.2010						
Trade receivables	197.82	138.30	37.00	12.76	7.47	2.08
Other original financial assets	20.37	9.75	0.52	0.28	7.73	2.09
	218.19	148.05	37.52	13.04	15.20	4.17

For those assets that are neither written down nor overdue as at the balance sheet date, there are no indications that a write-off is required.

None of the other financial assets is overdue. If applicable, impairment losses are explained with the balance sheet items concerned.

The bad debt account for trade receivables, as well other original financial assets, has developed as follows in the year under review:

	Carrying value total EUR million	Trade receivables EUR million	Other original financial assets EUR million
Value adjustments as at 01.01.2011	14.23	10.42	3.81
Changes in the scope of consolidation	-1.56	-0.85	-0.71
Allocations	5.88	5.88	0.00
Utilisation	-0.73	-0.42	-0.31
Liquidations	-1.81	-1.73	-0.08
Value adjustments as at 31.12.2011	16.01	13.30	2.71

Payment delays and insolvency on the part of the customer are the major reasons for write-offs. Due to the high number of customers, there is no concentration of credit risk.

Liquidity risk

Liquidity required by the Interseroh Group is assured by means of syndicated loan agreement transferred to the ALBA Group. Daily cash inflow and outflow planning guarantees a permanent overview of the liquidity requirements in the Interseroh Group. Any requirements beyond the short-term liquidity available can be covered completely at all times by rolling cash credit lines granted by commercial banks.

The following analysis of the agreed due dates for financial liabilities can be used to assess the liquidity risk.

	Carrying value total EUR million	Gross In-/ Outflow EUR million	up to 30 days EUR million	from 31 to 180 days EUR million	from 181 days up to 1 year EUR million	1 to 5 years EUR million	more than 5 years EUR million
31.12.2011							
Trade receivables	209.66	209.66	113.97	33.78	60.74	1.15	0.02
Liabilities to banks	84.50	92.21	9.25	5.64	12.30	64.41	0.61
Liabilities under finance leases	8.99	10.54	0.21	1.74	0.96	5.50	2.13
Other original financial liabilities	46.54	46.72	32.06	4.36	8.23	2.07	0.00
Derivatives associated with hedging	6.54	6.55	0.21	3.45	1.26	0.00	1.63
Forward exchange transactions	0.39	0.39	0.19	0.20	0.00	0.00	0.00
Interest rate hedging transactions	0.18	0.18	0.00	0.18	0.00	0.00	0.00
	356.80	366.25	155.89	49.35	83.49	73.13	4.39
31.12.2010							
Trade receivables	216.06	216.06	130.18	62.27	23.52	0.09	0.00
Liabilities to banks	97.09	107.05	5.65	3.68	6.74	89.21	1.77
Liabilities under finance leases	8.01	9.74	0.16	1.47	0.60	4.54	2.97
Other original financial liabilities	46.43	46.49	38.75	2.44	5.11	0.19	0.00
Derivatives associated with hedging	6.74	6.74	1.18	1.27	0.48	3.81	0.00
Forward exchange transactions	0.45	0.45	0.01	0.44	0.00	0.00	0.00
Interest rate hedging transactions	0.01	0.01	0.01	0.00	0.00	0.00	0.00
	374.79	386.54	175.94	71.57	36.45	97.84	4.74

Gross outflows include future interest payment obligations in addition to the carrying amounts of liabilities.

No bad debts or infringements of payment agreements in connection with loan obligations held by the Interseroh Group arose.

Due to the fact that the Interseroh syndicated loan agreement was rolled into the ALBA Group syndicated loan agreements, the same covenant criteria apply for the Interseroh Group as those associated with the syndicated loan at the ALBA Group level. If one or more covenant criteria are not complied with, there would also be consequences for Interseroh typical of covenants associated with this agreement.

Currency risk

The foreign currency receivables and liabilities resulting from contracts must be hedged if they exceed a level of EUR 0.025 million per transaction according to internal guidelines. Hedging may be effected exclusively by way of foreign exchange forward contracts (in the form of micro or macro hedging) with banks of impeccable credit standing or by means of existing currency stocks. Options and similar transactions are not permitted. Micro hedging hedges the risks of each individual item separately. In macro hedging, first the net risk is determined. To this end, existing hedge items (receivables and liabilities in the same foreign currency – provided their amounts and maturities correspond) are eliminated. The open surplus remaining is then closed by an opposing hedging transaction. Hedging is used according to standardised guidelines, subject to strict control and usually restricted to the hedging of operational business. Stockpiling of foreign currencies is not permitted either.

As of the balance sheet date the Interseroh Group had forward exchange transactions for the hedging of the exchange rate risk for deliveries invoiced in foreign currencies, each of which was based on a corresponding underlying transaction with the identical amount and term.

Forward exchange contracts are reported under current financial assets at their nominal value of USD 60.48 million and EUR 14.5 million (previous year: USD 69.14 million and EUR 7.76 million) – which is equivalent to EUR 61.24 million (previous year: EUR 59.51 million) – at a market value of EUR -1.86 million (net) with EUR 0.03 million (hedged) under current financial assets and EUR 1.50 million (hedged) and EUR 0.39 million (unhedged) under current financial liabilities (previous year: net EUR -0.44 million of which EUR 0.30 million (hedged) under current financial assets and EUR 0.73 million (hedged) and EUR 0.01 million (unhedged) under current financial liabilities).

All the forward exchange transactions entered into have a remaining term of up to one year as in the previous year.

The remaining currency risks in the Interseroh Group were subjected to sensitivity analysis. It was found that a 10-percent rise in the rate of the Euro against the US dollar would reduce earnings by EUR 0.33 million. An equivalent reduction in the rate would result in an increase in earnings of EUR 0.40 million. No significant impact on earnings would have resulted.

Interest rate risk

Interest rate change risks are countered by suitable instruments from the derivatives market (e.g. exchange of fixed for variable interest rates). Due to the currently low interest rates in the money markets, variable interest rates are accepted for short-term current account lines.

As at the balance sheet date interest rate hedge instruments amounted to EUR 130.00 million. The purpose of these contracts is to limit the majority of variable interest payments under medium-term or long-term bank liabilities and under the ongoing asset-backed securities programme.

In order to limit the interest rate risk under Interseroh's syndicated loan agreement interest rate swaps and interest rate caps were negotiated for a loan volume of EUR 40.00 million with maturities up to May of 2017 during 2010. Previous interest rate swap transactions either expired or were compensated by offsetting transactions during the course of the year under review.

In order to hedge the variable interest payments under the asset-backed securities programme the Group’s interest rate swap with a hedged volume of EUR 50.00 million at an interest rate of 4.57 percent with a maturity date of August 30, 2012, continues in place.

As at the balance sheet date the fair value of interest rate derivatives amounts to EUR -2.29 million (previous year: EUR -1.05 million). The interest rate swaps from previous years are reported under current financial liabilities in the amount of EUR 1.44 million (previous year: EUR 0.48 million) and under non-current financial liabilities in the amount of EUR 0.00 million (previous year: EUR 3.81 million). The derivatives entered into in 2011 are shown as current financial assets (EUR 0.18 million) and non-current financial assets (EUR 0.60 million), as well as non-current financial liabilities (EUR 1.63 million).

The remaining interest rate risks in the Interseroh Group were subjected to sensitivity analysis. This shows the effects that changes in interest rates would have. These changes are determined with reasonable discretion on the balance sheet date.

Income from the free-standing interest rate cap would have improved by EUR 0.22 million, if the interest rate level had been 100 basis points higher. If the interest rate level had been 100 basis points lower, income would have been down by EUR 0.12 million.

With respect to interest rate hedging transactions equity would have been up by EUR 1.97 million and down by EUR 2.09 million, if the interest rate level had been 100 basis points higher or lower, respectively, as at the balance sheet date. Furthermore, income would have been higher by EUR 0.59 million and lower by EUR 0.35 million, respectively, under the interest rate cap agreements, in the event of interest rate levels that were higher or lower by 100 basis points.

There is also an interest rate risk related to original financial instruments with variable interest rates. An increase in the interest rate level by 100 basis points would result in interest income lower by EUR 0.40 million. A decrease in the interest rate level by 100 basis points, on the other hand, would result in interest income higher by EUR 0.40 million.

					Total 31.12.2011
	EUR million	EUR million	EUR million	EUR million	EUR million
Interest rate swaps from previous years					
Secured					
loan amount	11.00	12.50	50.00		73.50
Fair Value	-0.08	-0.09	-1.26		-1.44
Maturity date	18.04.2012	18.04.2012	30.08.2012		
payable fixed interest rate	4.40%	4.40%	4.57%		
Counter swaps in 2010					
Nominal volume	11.00	12.50			23.50
Fair Value	0.08	0.09			0.18
Maturity date	18.04.2012	18.04.2012			
	4.40%	4.40%			
New interest rate swaps 2010					
Secured					
loan amount	9.75	15.75	5.00	9.50	40.00
Fair Value	-0.40	-0.60	-0.23	-0.40	-1.63
Maturity date	11.05.2017	11.05.2017	11.05.2017	12.05.2017	
payable fixed interest rate	2.395%	2.325%	2.450%	2.400%	
Interest rate caps 2010					
Secured					
loan amount	15.75	5.00	9.50		30.25
Fair Value	0.23	0.06	0.14		0.44
Maturity date	11.05.2017	11.05.2017	12.05.2017		
Cap interest rate	2.995%	2.960%	2.980%		
Free-standing interest rate cap 2010					
Nominal	9.75				9.75
Fair Value	0.16				0.16
Maturity date	11.05.2017				
Cap interest rate	2.955%				

Effective June 1, 2010, the interest rate swaps from earlier years were offset by entering into opposing interest rate swaps. At the same time, in 2010, new interest rate hedging instruments were taken out due to the changes in Group financing.

The fair value changes in the ‘interest rate swaps from previous years’, as well as the opposite interest rate swaps were recorded against profit and loss under other operating income in the amount of EUR 1.20 million and other operating expense in the amount of EUR - 1.20 million.

For the interest rate cap agreements entered into in 2010 a total of EUR - 0.9 million was charged to expenses due to changes in fair value. The intrinsic value of the interest rate cap amounted to zero as at December 31, 2011, as in the previous year.

The changes in market value of the interest rate swaps entered into in 2010 were recorded in equity as at December 31, 2011, without impacting the income statement. As at the balance sheet date the value recorded in equity was EUR -1.63 million.

The medium-term and long-term portion of the Group's syndicated loan agreement is thus fully hedged by interest rate hedging instruments. Variable interest rates also apply to credit facilities for short-term utilisation and the financing of operating funds in the amount of EUR 50.00 million; these facilities had not been taken up as at the balance sheet date.

Price change risk

Commodities futures transactions to hedge price change risks of copper, nickel and aluminium existed in individual companies of the steel and metals recycling segment as at the balance sheet date.

All commodities futures transactions were in economic hedges. Furthermore, hedge accounting was applied in significant areas.

Commodities futures transactions were accounted for at fair value. To the extent that hedges have been created to hedge inventory, the carrying amount of the hedged warehouse inventory was adjusted with the changes in fair value of the hedged risks.

As at December 31, 2011, commodities futures transactions in the amount of EUR 1.33 million with negative fair value were designated and accounted for as hedges. Fluctuations in fair value are immediately recorded under sales revenues or cost of materials depending on the type of underlying transaction. In fiscal 2011 an amount of EUR -1.33 million was recorded against income from the measurement of hedging instruments in the fair value hedge, while at the same time a change in fair value in the amount of EUR 1.36 million was recognised in income from the hedged warehouse inventory.

The remaining price change risks in the Interseroh Group were subjected to sensitivity analyses. It was found that a ten percent rise or fall in copper, nickel, zinc and aluminium prices would result in a reduction or increase in earnings and thus equity of approximately EUR 0.32 million and EUR 0.29 million, respectively.

<u>Net income from financial instruments</u> for the fiscal year and the previous year can be seen in the table below:

Category according to IAS 39	Interest	Dividends	from subsequent valuation				Disposals	Net earnings 2011
			at Fair Value	currency conversion	bad debt allowance	impairment losses		
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Loans and receivables	3.40	0.00	0.00	0.00	-6.54	1.81	0.00	-1.33
Financial assets available for sale	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financial instruments held for trading	0.00	0.00	-0.49	-0.41	0.00	0.00	3.87	2.97
Derivatives associated with hedging	-4.46	0.00	-0.72	0.00	0.00	0.00	0.00	-5.18
Financial liabilities valued at updated acquisition cost	-13.82	0.00	0.00	0.00	0.00	0.00	0.00	-13.82
	-14.88	**0.00**	**-1.21**	**-0.41**	**-6.54**	**1.81**	**3.87**	**-17.36**

Category according to IAS 39	Interest	Dividends	from subsequent valuation				Disposals	Net earnings 2010
			at Fair Value	currency conversion	bad debt allowance	impairment losses		
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Loans and receivables	1.94	0.00	0.00	0.00	-11.30	1.98	-1.03	-8.41
Financial assets available for sale	0.00	0.29	0.00	0.00	-0.03	0.00	0.00	0.26
Financial instruments held for trading	0.00	0.00	-0.61	-0.42	0.00	0.00	-0.28	-1.31
Derivatives associated with hedging	-3.47	0.00	0.00	0.00	0.00	0.00	0.00	-3.47
Financial liabilities valued at updated acquisition cost	-17.87	0.00	0.00	0.00	0.00	0.00	0.00	-17.87
	-19.40	**0.29**	**-0.61**	**-0.42**	**-11.33**	**1.98**	**-1.31**	**-30.80**

The value adjustment account reflects additions to loans and receivables in the amount of EUR 5.88 million (previous year: EUR 7.50 million), which have been recognised via value adjustment accounts. The reversal of impairment loss account relates only to reductions in the corresponding value adjustments.

Exchange gains and losses cannot be shown separately for loans and receivables on the one hand and financial liabilities on the other, since until now separate data capture has not been supported by IT structures. The netted amount is EUR 0.01 million (previous year: EUR -0.12 million).

38. Asset-backed securities

In 2007 companies in the steel and metals recycling segment entered into a framework receivables purchase and management agreement with WestLB AG, Düsseldorf, in order to participate in the ABS pro^{M}-Programme it administers for the securitisation of receivables – so-called “Asset Backed Securities – ABS”. In 2011 this contract was extended for another four years and has a term that extends to 2015.

Under this programme, the domestic companies (so-called originators) initially bundle the trade receivables they generate fulfilling specific criteria into a consolidated group company, INTERSEROH Hansa Finance GmbH (German seller) as a portfolio which is then transferred to a “Special Purpose Vehicle” (SPV) in the Republic of Ireland in the form of a receivables sale without recourse. In compensation, the originators receive a purchase price corresponding to the nominal value of the receivables sold, less certain amounts retained for security. These deductions are allocated to the default, dilution, and transaction cost reserve.

The default reserve is created to cover the risk that receivables purchased by the SPV may become non-performing or the relevant debtor become insolvent.

Amounts retained in the receivables dilution reserve are designed to counter the anticipated probability of future reductions in the level of receivables sold, for instance, as a result of credit balances granted.

The deduction from the transaction cost reserve is used for the settlement of refinancing costs and other fees that may arise in connection with the administration of the ABS programme.

By means of the framework receivables purchase and administration agreement, the companies selling the receivables are simultaneously appointed as so-called servicers. This means that receivables management remains with the originators, who are also authorised to collect the payments made by the debtors of receivables (so-called deposits).

The sale of receivables in the consolidated financial statements is presented according to the “Risk-and-Reward-Approach” pursuant to IAS 39. Accordingly, receivables are written off the balance sheet at their nominal value at the time they are transferred to the SPV. The default reserve created to take credit risks into account is recalculated at every purchase date for the newly sold receivables. It is fully recognised in the income statement under other operating expenses.

Receivables dilution and transaction cost reserves are capitalised as current financial assets in the consolidated balance sheet.

The remittances from trade debtors received as part of this service function between the time the receivables are sold and the balance sheet date are recognised as a liability towards the SPV at their nominal value, minus released reserves. They are reported under current financial liabilities in the consolidated financial statements.

The amount of the default reserve no longer required as a result of deposits received is recognised on the consolidated income statement under other operating revenue.

As of December 31, 2011, a total volume of EUR 61.70 million (previous year: EUR 66.68 million) in trade receivables has been sold to the SPV. EUR 11.30 million (previous year: EUR 10.39 million) was allocated against income to the default reserve from the receivables sold to the SPV up to the balance sheet date. Revenues realised from default reserves released as a result of deposits to receivables amounted to EUR 11.27 million (previous year: EUR 10.20 million). From collections made between the sales date preceding the balance sheet date and December 31, liabilities in the amount of EUR 26.16 million (previous year: EUR 32.02 million) remain after deduction of the released reserves. These liabilities are secured by the pledging of a total of seven collection accounts maintained at two banks in this connection.

As at the balance sheet date receivables from the Irish SPV from the retained receivables dilution reserve and transaction cost reserve totalling EUR 3.85 million (previous year: EUR 3.61 million) have been recorded.

Since 2011 EUROPE METALS B.V. functions as the Dutch seller and EUROPE METALS Asia Ltd. as the Hong Kong seller and thus as originators themselves.

As opposed to the German seller, these two companies do not sell receivables already created, but future claims from the sale of goods already dispatched to the buyer.

The cash inflow from this sale is accounted for as a short-term loan. This loan is reduced by the receivable that is created during the course of the transfer of risk.

As of December 31, 2011, a total volume of EUR 7.18 million in claims from the sale of goods already sent has been sold to the SPV domiciled in Ireland.

From collections made between the sales date preceding the balance sheet date and December 31, liabilities in the amount of EUR 6.31 million remain after deduction of the released reserves. These liabilities are collateralised by the pledge of a total of three collection accounts maintained at two banks in this connection.

As at the balance sheet date receivables from the Irish SPV from the retained receivables dilution reserve and transaction cost reserve totalling EUR 0.14 million have been recorded.

The Dutch and Hong Kong sellers do not create a default reserve as is done with the receivables sold by the German seller.

39. Related party disclosures

The main shareholder of INTERSEROH SE is ALBA KG, in which the chairman of the Board of Directors and the chairman of the Supervisory Board of INTERSEROH SE each hold 50 percent indirectly.

Via ALBA KG, the chairmen of the Board of Directors and the Supervisory Board are attributed an indirect holding of 85.324 percent of shares issued in INTERSEROH SE as at December 31, 2011.

In the course of operational business the companies in the Interseroh Group obtain materials, supplies and services from numerous business partners Europe-wide. Among them are companies in which Interseroh holds an interest, as well as companies that have connections with the chairmen of the Board of Directors and/or Supervisory Board of INTERSEROH SE.

(a) Information on companies associated with the Interseroh Group

The Interseroh Group maintains normal business relationships with associated, unconsolidated subsidiaries. Transactions with these companies are minor in scope, result from normal business transactions and are entered into at market conditions.

Business relationships with holdings are as a rule related to the customary business activities with the companies invested in, are entered into according to market conditions and are minor in scope.

As at December 31, 2011, there are outstanding receivables from the holding, The ProTrade Group LLC, Hudson, of a total of EUR 1.93 million from loans extended by a company within the Group.

No securities and/or guarantees have been granted to holdings or unconsolidated subsidiaries.

(b) Notes on companies associated with members of the Supervisory Board and Board of Directors.

Due to the control and profit transfer agreement entered into in 2011, an income tax fiscal entity has been created with retroactive effect to January 1, 2011, as has a sales tax entity as of June 1, 2011, between INTERSEROH SE as subsidiary company and ALBA KG as controlling company. As a result, with the exception of the taxation of equalisation payments to external shareholders in accordance with section 16 of the Corporate Tax Act, tax effects as of fiscal 2011 arising from INTERSEROH SE and its subsidiaries continue to have an impact only beyond the scope of consolidation. The income tax burden incurred by the Interseroh group of companies is not charged on to the subsidiaries by the income tax fiscal entity.

In connection with the control and profit transfer agreement INTERSEROH SE's income under commercial law in the amount of EUR 30.11 million was transferred to ALBA KG. The corresponding obligation is shown under other liabilities (Note 33).

The companies of the Interseroh Group maintain normal business relationships with ALBA KG. These transactions are minor in scope, result from normal business transactions and are entered into at market conditions.

The raw materials trading segment was, furthermore, sold to ALBA KG in the year under review. Reference is made to Note 5 c) regarding the purchase price.

INTERSEROH SE has been participating in the cash pooling process with ALBA KG since July 1, 2011. Cash pool receivables carry an interest rate of 3-month Euribor minus 0.5 percentage points and cash pool receivables an interest rate of 3-month Euribor plus 2.0 percentage points. The existing balance of cash pool receivables is reported under financial assets as at the balance sheet date (Note 21).

Contingent liabilities between INTERSEROH SE and ALBA KG are due primarily to the syndicated loan agreement entered into in the year under review. Please refer to Note 36.

The supply and services relationships of the companies of the Interseroh Group vis-à-vis other related parties of the Interseroh Group are presented below:

Type of business event	2011 EUR million	2010 EUR million
Purchase of goods	47.75	24.04
Sale of goods	36.77	36.42
Purchased services	43.40	37.48
Services rendered	9.72	0.19
Other operating income	2.09	0.92
Other operating expense	4.25	4.04
Interest income	0.31	0.01
Interest expense	0.00	0.00

The balances as at December 31, 2011, are reported as associated companies and involve the ALBA companies as other related parties. They can be found in the lists in the Notes. Balances with associated unconsolidated companies are included as well, but on the whole the amounts are immaterial.

Please refer to Note 40 for information on the remuneration of members of the Board of Directors and the Supervisory Board.

In addition to his activity as a member of the Supervisory Board, Dr. Werner Holzmayer received payments for services totalling EUR 0.11 million in 2011 (previous year: EUR 0.32 million).

In addition to his activity as a member of the Supervisory Board, Mr. Peter Zühlsdorff purchased goods amounting to EUR 0.19 million in 2011 (previous year: EUR 0.00 million) from a related party.

In the previous year other liabilities in the amount of EUR 3.14 million existed vis-à-vis Mr. Joachim Wagner regarding outstanding purchase price payments.

Companies of the Interseroh Group did not participate in any transactions in favour of the other members of INTERSEROH SE's Board of Directors or any related party.

Furthermore, the internal rules of procedure of the Supervisory Board provide that in the case of resolutions concerning such business transactions, as well as other Supervisory Board decisions that affect the companies of members of the Supervisory Board, the members in question may not be involved in consultations and decisions.

The shareholdings of all other members of the Supervisory Board and Board of Directors as of December 31, 2011 were neither directly nor indirectly more than one percent of the shares issued by the company. Total shareholdings of all other members of the Supervisory Board and Board of Directors also fell short of one percent on the closing date.

40. Board of Directors and Supervisory Board

(a) Board of Directors

The following members of the Board of Directors were appointed in the year under review:

- Dr. Axel Schweitzer, Berlin (chairman)
- Joachim Wagner, Frankfurt

Compensation paid to members of the Board of Directors, including former members, in the 2011 fiscal year amounted to EUR 2.48 million (previous year: EUR 2.41 million). This amount contains a variable component of EUR 1.82 million (previous year: EUR 1.70 million). In fiscal 2011 obligations under the long-term assessment basis and undistributed variable remuneration components for the Board of Directors in the amount of EUR 0.08 million (previous year: EUR

0.08 million) were liquidated and charged to profit and loss. The allocation to the pension provision for Board of Director members totalled EUR 0.16 million (previous year: EUR 0.15 million). A total of EUR 1.05 million (previous year: EUR 0.94 million) has been provided for pension obligations for former Board of Director members and their next-of-kin. Above and beyond this amount, no additional remuneration was paid to former members of the Board of Directors and related persons (previous year: EUR 0.05 million).

The profession exercised by the members of the Board of Directors consists of the Company's management and representation. Both members of the Board of Directors also act as members of ALBA KG's Board of Directors.

A share in the total equity capital of INTERSEROH SE in the amount of 85.324 percent and, therefore, voting rights from 8,395,849 shares were attributable to Dr. Axel Schweitzer as at the balance sheet cut-off date of December 31, 2011.

(b) Supervisory Board

The following individuals were members of the Company's Supervisory Board during the past financial year:

Supervisory Board Member (Profession)	Membership in Committees of the Supervisory Board of INTERSEROH SE	Membership in other statutory Supervisory Boards	Membership in other controlling boards in terms of section 125, par. 1, clause 5 (2) of the German Companies Act
Mr. Dr. Eric Schweitzer Berlin Chairman (Member of the Board of Directors of Alba Group plc & Co. KG, Berlin)	→ Presiding Committee → Nominating Committee → Personnel Committee		
Mr. Friedrich Carl Janssen Cologne (private individual; former banker)	→ Presiding Committee → Nominating Committee → Personnel Committee → Audit Committee		
Mr. Peter Zühlsdorff Berlin Deputy Chairman (Businessman, Deutsche Industrie Holding GmbH, Frankfurt am Main)	→ Presiding Committee → Nominating Committee → Personnel Committee → Audit Committee	→ OBI Group Holding GmbH, Wermelskirchen (Chairman) → Kaiser's Tengelmann AG, Viersen (Chairman) → YOC AG, Berlin	Tengelmann Verwaltungs- und Betriebs GmbH, Mühlheim a.d. Ruhr (Advisory Committee) Dodenhof Gruppe, Posthausen (Chairman of Advisory Committee) KMS Group Management GmbH, Viersen (Chairman of Advisory Committee) GfK Nürnberg e.V., Nuremberg (President of Presiding Committee) ALBA Group plc & Co. KG, Berlin (Advisory Committee) Berlin Partner GmbH, Berlin (Supervisory Board)
Mr. Dr. Werner Holzmayer Cologne (Auditor, lawyer, tax adviser at Ebner Stolz Mönning Bachem Wirtschaftsprüfer, Steuerberater, Rechtsanwälte Partnerschaft, Cologne)	→ Chairman of Audit Committee	→ Intersport Deutschland e.G., Heilbronn → Sintra KGaA, Cologne	Dr. Jürgen Meyer Holding GmbH, Mühlheim (Advisory Committee Spokesperson) Dr. Jürgen Meyer GmbH, Mühlheim (Advisory Committee Spokesperson)
Mr. Joachim Edmund Hunold Dusseldorf (Businessman)		→ Kick Media AG, Cologne → Goal Sky AG, Dusseldorf	AIR BERLIN PLC & Co. Luftverkehrs KG, Rickmansworth, UK
Mr. Roland Junck Zurich, Switzerland (CEO Managing Director at Nyrstar NV, Balen, Belgium; Consulting Engineer)	Audit Committee		AGFA GEVAERT N.V., Mortsel, Belgium SAMHWA Steel S.A., Krakelshaff-Bettembourg, Luxembourg

Liabilities totalling EUR 0.24 million (previous year EUR 0.24 million) were created for the remuneration of members of the Supervisory Board for the period from January 1 to December 31, 2011. No loans had been extended to members of the Supervisory Board as at December 31, 2011. No loans were repaid during the year under review.

A share in the total equity capital of INTERSEROH SE in the amount of 85.324 percent and, therefore, voting rights from 8,395,849 shares were directly attributable to Dr. Eric Schweitzer as at the balance sheet cut-off date of December 31, 2011.

41. Employees

The average number of employees is reflected below:

	2011	2010
Salaried employees	1,015	903
Industrial workers	944	871
	1,959	1,774

42. Auditors' Fee

The audit fee recorded as expense in the fiscal year in accordance with section 319, paragraph 1, clause 1, 2 of the German Commercial Code amounts to EUR 1.02 million (previous year: EUR 1.30 million). EUR 0.66 million (previous year: EUR 0.89 million) is attributable to the year-end audit, EUR 0.15 million (previous year: EUR 0.14 million) to other consulting services, EUR 0.15 million (previous year: EUR 0.04 million) to tax advisory services and EUR 0.06 million (previous year: EUR 0.16 million) to other services.

43. Events After The Balance Sheet Date

No noteworthy events have occurred after the balance sheet date.

<u>Separate Notes and Information According to Section 315 a of the German Commercial Code</u>

44. Corporate Governance Pursuant To Section 161 Of The German Companies Act

The Board of Directors and Supervisory Board of INTERSEROH SE issued their annual declaration on the recommendations of the "Government Commission on the German Corporate Governance Code" in December of 2011 and posted it on the Company's website (www.interseroh.com, Corporate, Investor Relations, Corporate Governance, Declaration of Compliance), thereby affording permanent access.

45. Exemption Option pursuant to section 264, paragraph 3 of the German Commercial Code

The following companies, which are fully consolidated in the Interseroh Group, have exercised their option for exemption from the duty to audit and to prepare and disclose notes to the financial statements and a management report in accordance with the provisions applicable to corporations pursuant to section 264, paragraph 3, of the German Commercial Code:

- INTERSEROH Management GmbH, Cologne
- INTERSEROH Product Cycle GmbH, Cologne
- INTERSEROH Pfand-System GmbH, Cologne
- INTERSEROH Pool-System GmbH, Cologne
- Repasack Gesellschaft zur Verwertung gebrauchter Papiersäcke mbH, Wiesbaden
- INTERSEROH BW Rohstoff und Recycling GmbH, Stuttgart
- INTERSEROH NRW GmbH, Dortmund
- INTERSEROH Evert Heeren GmbH, Leer
- INTERSEROH Franken Rohstoff GmbH, Sennfeld
- INTERSEROH Jade-Stahl GmbH, Wilhelmshaven
- INTERSEROH Rhein-Neckar Rohstoff GmbH, Mannheim
- INTERSEROH Scrap und Metals Trading GmbH, Cologne
- INTERSEROH Hansa Rohstoffe GmbH, Dortmund
- INTERSEROH SEROG GmbH, Bous
- INTERSEROH Hansa Finance GmbH, Dortmund
- Wagner Rohstoffe GmbH, Frankfurt

The following companies, which are fully consolidated in the Interseroh Group, have exercised their option for exemption from the duty to disclose in accordance with the provisions applicable to corporations pursuant to section 264, paragraph 3, of the German Commercial Code:

- INTERSEROH Dienstleistungs GmbH, Cologne
- INTERSEROH Scrap and Metals Holding GmbH, Dortmund
- Brandenburgische Boden Gesellschaft für Grundstücksverwaltung und-verwertung mbH, Zossen

The shareholder resolutions required for this purpose have been submitted to the relevant commercial register in each case.

46. Inclusion in the consolidated financial statements under commercial law

INTERSEROH SE and its subsidiaries and holdings are included in the consolidated financial statements under commercial law prepared for ALBA Group plc & Co. KG. These consolidated financial statements are published in the Federal Electronic Gazette (district court of Charlottenburg, commercial registry number 36525 B).

47. Affirmation by the Legal Representatives pursuant to sections 297, paragraph 2, clause 4, and 315, paragraph 1, clause 6, of the German Commercial Code (HGB)

We make assurances to the best of our knowledge that in line with the applicable accounting principles the consolidated financial statements present a true and fair view of the Group's net assets, financial position and results of operations and that the Group's management report reflects the course of business, including the business results and situation of the Group, such that an accurate picture is conveyed and the key risks and opportunities of the Group's anticipated developments are described.

Cologne, March 2, 2012

INTERSEROH SE

The Board of Directors

Dr. Axel Schweitzer　　　　Joachim Wagner

Imprint

INTERSEROH SE

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